



# North American Development Bank

Consolidated Financial Statements  
(and supplementary information)  
As of December 31, 2020 and 2019

# **North American Development Bank**

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Consolidated Financial Statements  
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As of December 31, 2020 and 2019

# North American Development Bank

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## **Independent Auditor's Report**

To the Board of Directors  
North American Development Bank  
San Antonio, Texas

### **Opinion**

We have audited the consolidated financial statements of North American Development Bank (the "Bank"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 required to be independent of the Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.



## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- 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 Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



### Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*BDO USA LLP*

February 12, 2021

## **Consolidated Financial Statements**

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# North American Development Bank

## Consolidated Balance Sheets

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Cash and cash equivalents:		
Held at other financial institutions in demand deposit accounts	\$ 2,706,628	\$ 406,916
Held at other financial institutions in interest bearing accounts	35,958,564	45,890,923
Repurchase agreements	24,800,000	75,300,000
Cash and cash equivalents	63,465,192	121,597,839
Held-to-maturity investment securities, at amortized cost	3,473,904	4,038,722
Available-for-sale investment securities, at fair value	941,141,640	627,900,720
Loans outstanding	1,126,330,083	1,301,746,523
Allowance for loan losses	(19,235,482)	(19,216,845)
Unamortized loan fees	(9,529,630)	(12,284,799)
Foreign currency exchange rate adjustment	(46,483,700)	(33,301,924)
Hedged items, at fair value	(33,183,106)	(62,856,585)
Net loans outstanding	1,017,898,165	1,174,086,370
Interest receivable	12,349,446	15,987,916
Grant and other receivable	2,320,787	1,310,349
Furniture, equipment and leasehold improvements, net	105,122	167,711
Other assets	136,404,727	62,393,502
<b>Total Assets</b>	<b>\$ 2,177,158,983</b>	<b>\$ 2,007,483,129</b>

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

# North American Development Bank

## Consolidated Balance Sheets

<i>December 31,</i>	2020	2019
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 767,182	\$ 814,012
Accrued liabilities	2,178,264	1,921,177
Accrued interest payable	9,482,523	17,487,066
Undisbursed grant funds	16,239	9,880
Other liabilities	17,671,493	1,466,112
Short-term debt, net of discounts and unamortized debt issuance costs	5,264,000	255,238,795
Hedged item, at fair value	-	357,621
Net short-term debt	5,264,000	255,596,416
<b>Total Current Liabilities</b>	<b>35,379,701</b>	<b>277,294,663</b>
<b>Long-term Liabilities</b>		
Long-term post-retirement benefits payable	2,779,674	2,481,519
Deferred U.S. capital contribution	165,000,000	-
Long-term debt, net of discounts and unamortized debt issuance costs	1,117,510,817	1,050,594,907
Foreign currency exchange rate adjustment	32,163,548	-
Hedged items, at fair value	60,574,814	(5,851,918)
Net long-term debt	1,210,249,179	1,044,742,989
<b>Total Long-term Liabilities</b>	<b>1,378,028,853</b>	<b>1,047,224,508</b>
<b>Total Liabilities</b>	<b>1,413,408,554</b>	<b>1,324,519,171</b>
<b>Equity</b>		
Paid-in capital	475,000,000	415,000,000
General Reserve:		
Retained earnings:		
Designated	8,142,355	10,613,305
Reserved	157,615,047	159,763,504
Undesignated	107,724,164	88,221,692
Accumulated other comprehensive income	15,263,820	9,360,292
Non-controlling interest	5,043	5,165
<b>Total Equity</b>	<b>763,750,429</b>	<b>682,963,958</b>
<b>Total Liabilities and Equity</b>	<b>\$ 2,177,158,983</b>	<b>\$ 2,007,483,129</b>

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

# North American Development Bank

## Consolidated Statements of Income

<i>Years Ended December 31,</i>	<b>2020</b>	<b>2019</b>
<b>Interest Income</b>		
Loans	\$ 49,753,582	\$ 65,635,241
Investments	7,230,820	18,667,228
<b>Total Interest Income</b>	<b>56,984,402</b>	<b>84,302,469</b>
Interest expense	21,217,829	44,647,559
<b>Net Interest Income</b>	<b>35,766,573</b>	<b>39,654,910</b>
<b>Operating Expenses (Income)</b>		
Personnel	13,198,493	14,846,765
General and administrative	1,680,801	2,285,686
Consultants and contractors	1,651,701	1,834,600
Provision for loan losses	18,637	62,338
Other	(1,558,490)	(9,572)
Depreciation	114,315	129,862
<b>Total Operating Expenses</b>	<b>15,105,457</b>	<b>19,149,679</b>
<b>Net Operating Income</b>	<b>20,661,116</b>	<b>20,505,231</b>
<b>Non-interest Income and Non-operating Income (Expenses)</b>		
Gain on securities	309,044	90,325
Income (expenses) from hedging activities, net	(5,790,605)	4,437,134
Fees and other income (expenses), net	262,296	645,378
Swap and debt settlements, net	(2,623,578)	-
<b>Total Non-interest and Non-operating Income (Expenses)</b>	<b>(7,842,843)</b>	<b>5,172,837</b>
<b>Income before Programs</b>	<b>\$ 12,818,273</b>	<b>\$ 25,678,068</b>
<b>Program Activities</b>		
Program income	8,859,282	8,056,545
Program expenses:		
Operating expenses	2,708,810	2,000,501
Grant disbursements	4,085,802	2,033,128
Total program expenses	6,794,612	4,033,629
<b>Net Program Income</b>	<b>2,064,670</b>	<b>4,022,916</b>
<b>Net Income</b>	<b>14,882,943</b>	<b>29,700,984</b>
Non-controlling interest in net loss	(122)	(137)
<b>Controlling Interest in Net Income</b>	<b>\$ 14,883,065</b>	<b>\$ 29,701,121</b>

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

**North American Development Bank**  
**Consolidated Statements of Comprehensive Income**

<i>Years Ended December 31,</i>	<b>2020</b>	<b>2019</b>
Net income	\$ 14,882,943	\$ 29,700,984
Non-controlling interest in net loss	(122)	(137)
Controlling interest in net income	14,883,065	29,701,121
<b>Other Comprehensive Income (Loss)</b>		
Available-for-sale investment securities:		
Change in unrealized gains (losses) during the period, net	3,952,846	4,336,628
Reclassification adjustment for net gains included in net income	(314,017)	(87,852)
Total unrealized gain on available-for-sale investment securities	3,638,829	4,248,776
Foreign currency translation adjustment	36,706	(32,997)
Unrealized gains (losses) on hedging activities:		
Foreign currency translation adjustment, net	(15,679,290)	7,214,641
Fair value of cross-currency, interest rate swaps and options, net	17,907,283	(11,194,142)
Total unrealized gain (loss) on hedging activities	2,227,993	(3,979,501)
<b>Total Other Comprehensive Income</b>	<b>5,903,528</b>	<b>236,278</b>
<b>Total Comprehensive Income</b>	<b>\$ 20,786,593</b>	<b>\$ 29,937,399</b>

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

**North American Development Bank**  
**Consolidated Statement of Changes in Equity**

	Paid-in Capital	General Reserve Retained Earnings	Accumulated Other Comprehensive Income	Non-controlling Interest	Total Equity
Beginning balance, January 1, 2019	\$ 415,000,000	\$ 228,897,380	\$ 9,124,014	\$ 5,302	\$ 653,026,696
Net income	-	29,701,121	-	-	29,701,121
Other comprehensive income	-	-	236,278	-	236,278
Non-controlling interest	-	-	-	(137)	(137)
Ending balance, December 31, 2019	415,000,000	258,598,501	9,360,292	5,165	682,963,958
Capital Contribution	60,000,000	-	-	-	60,000,000
Net income	-	14,883,065	-	-	14,883,065
Other comprehensive income	-	-	5,903,528	-	5,903,528
Non-controlling interest	-	-	-	(122)	(122)
<b>Ending Balance, December 31, 2020</b>	<b>\$ 475,000,000</b>	<b>\$ 273,481,566</b>	<b>\$ 15,263,820</b>	<b>\$ 5,043</b>	<b>\$ 763,750,429</b>

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

# North American Development Bank

## Consolidated Statements of Cash Flows

<i>Years Ended December 31,</i>	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 14,883,065	\$ 29,701,121
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	114,315	129,862
Amortization of net premiums (discounts) on investments	(495,810)	(4,590,154)
Change in fair value of swaps, options, hedged items and other non-cash items	23,717,410	(58,143,283)
Non-controlling interest	(122)	(137)
Gains on securities, net	(314,017)	(87,852)
Provision for loan losses	18,637	62,338
Long-term post-retirement benefits payable	298,155	2,481,519
Change in other assets and liabilities:		
(Increase) decrease in interest receivable	3,638,470	(46,295)
(Increase) decrease in receivable and other assets	(1,010,438)	188,795
Increase (decrease) in accounts payable	(46,830)	(250,663)
Increase (decrease) in accrued liabilities	257,087	(639,233)
Increase (decrease) in accrued interest payable	(8,004,543)	(880,595)
<b>Net cash provided by (used in) operating activities</b>	<b>33,055,379</b>	<b>(32,074,577)</b>
<b>Cash Flows from Lending, Investing and Development Activities</b>		
Capital expenditures	(51,821)	(45,791)
Loan principal repayments	226,576,545	147,024,725
Loan disbursements	(51,160,105)	(164,293,344)
Purchase of held-to-maturity investments	(2,957,250)	(2,969,362)
Purchase of available-for-sale investments	(2,306,861,324)	(459,209,582)
Proceeds from maturities of held-to-maturity investments	3,522,068	2,266,000
Proceeds from sales and maturities of available-for-sale investments	1,998,069,060	461,059,479
<b>Net cash used in lending, investing and development activities</b>	<b>(132,862,827)</b>	<b>(16,167,875)</b>
<b>Cash Flows from Financing Activities</b>		
Capital contributions	60,000,000	-
U.S. capital contribution paid-in advance	165,000,000	-
Proceeds from note issuances	351,930,442	-
Principal repayment of other borrowings	(5,264,000)	(5,263,000)
Principal repayment of notes payable	(529,998,000)	-
Grant funds from the Environmental Protection Agency (EPA)	9,334,649	11,607,674
Grant funds from other sources	6,356	119,708
Grant disbursements - EPA	(9,334,646)	(11,607,674)
Grant disbursements from other sources	-	(110,830)
<b>Net cash provided by (used in) financing activities</b>	<b>41,674,801</b>	<b>(5,254,122)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(58,132,647)</b>	<b>(53,496,574)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>121,597,839</b>	<b>175,094,413</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 63,465,192</b>	<b>\$ 121,597,839</b>
<b>Supplemental Cash Information</b>		
Cash paid during the year for interest	\$ 20,093,599	\$ 28,707,051
<b>Significant Non-cash Transactions</b>		
Foreign currency translation adjustment	\$ (15,679,290)	\$ 7,214,641
Change in fair value of cross-currency interest rate swaps, net	17,907,283	(11,194,142)
Change in fair value of available-for-sales investments, net	3,638,829	4,248,776

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

# North American Development Bank

## Notes to Consolidated Financial Statements

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### 1. Organization and Purpose

The North American Development Bank (NADB 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 (the International Program) and support domestic programs for community adjustment and investment projects throughout the U.S. and Mexico (the Domestic Programs). 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 appointed by the two countries. The operations of the Bank are subject to certain limitations outlined in the Charter. The geographic jurisdiction of the International Program is within 100 kilometers north of the U.S.-Mexico border and within 300 kilometers south of the border. The Bank is headquartered in San Antonio, Texas, and also has an office in Ciudad Juarez, Chihuahua (Juarez Office).

The Bank provides loan and grant financing and technical assistance for environmental infrastructure projects approved by the Board, as appropriate, and administers grant funding provided by other entities. In accordance with the Charter, the Bank also made available limited funds from its equity to establish the domestic program of each country (see Note 7).

On June 2, 1998, the Board of Directors adopted a resolution authorizing the Bank to establish a limited-purpose financial institution (sociedad financiera de objeto limitado, SOFOL) for the purpose of facilitating Bank lending to the Mexican public sector. In January 1999, the Corporación Financiera de América del Norte, S.A. de C.V. SOFOL (COFIDAN) began operations in Mexico City and, in October 2006, COFIDAN was converted from a SOFOL to a non-regulated, multipurpose financial institution (SOFOM, E.N.R.), and its name was modified to Corporación Financiera de América del Norte, S.A. de C.V. SOFOM E.N.R. As of December 31, 2020, COFIDAN is 99.90% owned by the Bank and 0.10% owned by the Government of Mexico. The accounts of COFIDAN are consolidated with the Bank, and all material intercompany accounts and transactions are eliminated in the consolidation. The non-controlling interest reflected in the consolidated balance sheets and consolidated statements of income represents the ownership of the Government of Mexico through the Ministry of Finance and Public Credit (SHCP).

### 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) and are presented in a manner consistent with that of an international organization. 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates include the valuation of investments, allowance for loan losses, the fair value of derivative instruments included in other assets, the fair value of derivative instruments included in other liabilities, long-term post-retirement benefits payable and debt. Actual results could differ from those estimates.

# North American Development Bank

## Notes to Consolidated Financial Statements

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### 2. Summary of Significant Accounting Policies (Continued)

#### *Principles of Consolidation*

The consolidated financial statements include the accounts of the Bank and its subsidiary, COFIDAN. All significant intercompany accounts and transactions have been eliminated in the consolidation.

#### *Cash and Cash Equivalents*

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash deposits, money market accounts with other financial institutions and overnight repurchase agreements.

#### *Repurchase Agreements*

The Bank has entered into agreements with a major financial institution to purchase various U.S. government and federally sponsored agency securities under an agreement to resell. The purchase and resale of these securities occur daily, and the obligation to repurchase is backed by the assets of that financial institution. The underlying securities related to the repurchase transaction are held in the possession of that financial institution.

#### *Investment Securities*

The Bank's investments are classified into the following categories:

*Held-to-maturity* - This category is composed of those debt securities for which the Bank has the positive intent and ability to hold to maturity. These securities are carried at amortized cost.

*Trading* - This category is composed of debt securities that are bought and held for resale in the near term. These securities are carried at fair value, and changes in market value are recognized in the consolidated statements of income.

*Available-for-sale* - This category is composed of debt securities that are not classified as either trading or held-to-maturity securities. These securities are carried at fair value, with unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of comprehensive income or loss until realized.

The accretion of discounts and the amortization of premiums are computed using the interest method. Realized gains and losses are determined using the specific identification method. Investments in a loss position are reviewed to determine whether the unrealized loss, which is considered an impairment, is temporary or other-than-temporary. In the event of other-than-temporary impairment, the cost basis of the investment would be written down to its fair value, and the credit component of the loss would be included in current earnings. The Bank had no securities classified as other-than-temporarily impaired at December 31, 2020 and 2019.

# North American Development Bank

## Notes to Consolidated Financial Statements

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### 2. Summary of Significant Accounting Policies (Continued)

#### *Taxation*

Pursuant to its Charter, as further implemented in the U.S. in 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 from all customs duties.

#### *Furniture, Equipment, and Leasehold Improvements*

Furniture and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. The estimated useful life is three years for computers and five years for furniture and other equipment. Leasehold improvements are recorded at cost and amortized over five years, or the life of the lease, whichever is less.

#### *Retained Earnings*

Retained earnings are classified as either designated for a specific program, reserved, or undesignated. Undesignated retained earnings in excess of one percent (1.0%) of total assets are used to fund four reserves in the following order of priority:

*Debt Service Reserve* - This reserve is maintained in an amount equal to 12 months of interest due on the Bank's outstanding debt at each fiscal year-end.

*Operating Expenses Reserve* - This reserve is maintained in an amount equal to 12 months of the operating budget expenses at each fiscal year-end.

*Special Reserve* - This reserve is maintained in an amount equal to the sum of 1% of undisbursed loan commitments, 3% of the outstanding balance of disbursed loans and 3% of the outstanding balance of guaranties, less the general allowance for loan losses, with a targeted minimum of \$30 million. Amounts in the Special Reserve are to be used to pay costs associated with the enforcement of the Bank's rights under its loan and guaranty agreements and to offset losses on any loan or guaranty.

*Capital Preservation Reserve* - This reserve is intended to maintain the value of the paid-in capital in real terms and is indexed to the U.S. annual inflation rate.

Additional information on retained earnings of the Bank is provided in Note 7.

#### *Loans and Allowance for Loan Losses*

Loans are reported at the principal amount, net of allowance for loan losses, unamortized loan fees, foreign currency exchange rate adjustment and fair value of hedged items. Interest income on loans is recognized in the period earned. Net loan commitment and origination fees are deferred and amortized over the life of the loan as an adjustment to loan interest income.

# North American Development Bank

## Notes to Consolidated Financial Statements

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### 2. Summary of Significant Accounting Policies (Continued)

Loans that are past due 90 days or more as to principal or interest, or where reasonable doubts exist as to timely collection, including loans that are individually identified as being impaired, are generally classified as nonperforming loans unless well secured and in the process of collection.

Loans are generally placed on nonaccrual status when principal or interest is delinquent for 180 days (unless adequately secured and in the process of collection) or circumstances indicate that the full collection of principal and interest is in doubt. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is either reversed (if current-year interest) or charged against current-year interest (if prior-year interest).

Payments received on nonaccrual loans are generally applied to the recorded principal in the loan asset. If collection of the recorded principal in the loan is fully expected and the loan does not have a remaining unrecovered prior charge-off associated with it, payments are recognized as interest income. Nonaccrual loans may be returned to accrual status when contractual principal and interest are current, prior charge-offs have been recovered, and the ability of the borrower to fulfill the contractual repayment terms is fully expected. All three of these conditions must be met in order to return a loan to accrual status. If previously unrecognized interest income exists upon reinstatement of a nonaccrual loan to accrual status, interest income will only be recognized upon receipt of cash payments applied to the loan.

In cases where a borrower experiences financial difficulty and the Bank makes certain concessions to the borrower through modifications of the contractual terms of the loan, the loan is classified as a troubled debt restructuring. If the borrower's ability to meet the revised payment schedule is uncertain, the loan is classified as a nonaccrual loan.

The allowance for loan losses is a valuation account used to reasonably estimate loan losses incurred as of the financial statement date. Determining the appropriate allowance for loan losses involves significant judgment about when a loss has been incurred and the amount of that loss. A general allowance is established for all loans. In 2019 the Bank modified the way in which it calculates the general allowance by estimating probability of default for each loan using internal credit risk methodologies, along with statistical cumulative recovery rates for each sector.

A specific allowance is established for impaired loans when it is probable that the Bank may sustain some loss. Impairment of these loans is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate or the fair value of the collateral, if the loan is collateral dependent.

The allowance for loan losses is maintained at a level considered appropriate by management to provide for probable and estimable losses inherent in the loan portfolio. The allowance is increased through provisions for loan losses and is decreased through recovery of loan losses and loan charge-offs. Upon final settlement of impaired loans, any remaining loss is charged off.

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

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**2. Summary of Significant Accounting Policies (Continued)**

***Loan Portfolio Risk Rating***

The internal portfolio risk methodologies are tailored to the characteristics of each transaction and project sector and were developed using both quantitative and qualitative variables to address both project and borrower risks. The analysis includes all financial and operating metrics relevant to the overall performance of the project, as well as any relevant credit risk mitigating measures. The variables are well defined and consistently applied to each individual loan. For each loan, the probability of default is estimated using the corresponding methodology and mapped onto the credit risk rating scale.

Borrower Rating	Rating Scale	
	Scale	Risk Grade
1	A	A-1
2		A-2
3		A-3
4	B	B-1
5		B-2
6		B-3
7	C	C
8	D	D
9	E	E

***Government Contributions***

The Bank receives contributions from the federal governments through the U.S. Department of State and the Mexican Ministry of Environment and Natural Resources (SEMARNAT), which are reflected in the consolidated statement of income.

***Program Activities***

Grant income from the U.S. Environmental Protection Agency (EPA) associated with the Border Environment Infrastructure Fund (BEIF) represents reimbursed administrative expenses. Such amounts are earned and recognized as grant income in the accompanying consolidated statements of income as the associated expenses are incurred. In addition, the Bank may receive and administer grants from other entities under cooperative agreements for the financing of joint projects. Reimbursed administrative expenses are recognized as grant income in the accompanying consolidated statements of income as the associated expenses are incurred.

Grant income from EPA and other sources associated with technical assistance activities represent reimbursed administrative expenses and technical assistance grant disbursements funded by those entities. Such amounts are earned and recognized as grant income in the accompanying consolidated statements of income as the associated expenses are incurred.

# North American Development Bank

## Notes to Consolidated Financial Statements

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### 2. Summary of Significant Accounting Policies (Continued)

Program expenses also represent the disbursement of Bank-funded grants through the Community Assistance Program (CAP), Water Conservation Investment Fund (WCIF), Technical Assistance Program (TAP) and COVID-19 Recovery Program (ProRec). Grants are recognized at the date the Bank becomes obligated under the terms of the grant agreements, and associated costs are recognized as incurred. Additional information on grant programs is provided in Note 8.

EPA-funded BEIF grant receipts and disbursements reflected in the consolidated statements of cash flows are not reflected in the accompanying consolidated statements of income, as these grants are approved and funded by EPA. The Bank's role is to administer these funds.

#### *Foreign Currency*

COFIDAN is located in Mexico and operates primarily using the local functional currency. Accordingly, all assets and liabilities of COFIDAN are translated using the exchange rate in effect at the end of the period, and revenue and costs are translated using average exchange rates for the period. The resulting cumulative translation adjustment is included in accumulated other comprehensive income.

The lending activities of the Bank include making loans that are denominated in Mexican pesos. For such loans, the Bank enters into cross-currency interest rate swaps that mitigate its exposure to fluctuations in foreign currency exchange rates and interest rates. As of December 31, 2020, the Bank had entered into counterparty agreements with 11 counterparties, two (2) of which are backed by the federal government of Mexico and the other nine (9) are commercial financial institutions. The foreign currency translation adjustment on loans denominated in Mexican pesos as of December 31, 2020 and 2019 was \$(46,483,700) and \$(33,301,924), respectively.

All swaps relating to the lending activities of the Bank have been designated as cash flow or fair value hedges and are recognized in the accompanying consolidated balance sheets at their fair value. Changes in the fair value of the cash flow hedges are reported in other comprehensive income and are reclassified to earnings at the time of the hedged loan repayment. Changes in the fair value of the fair value hedges are reported as non-interest income or expense.

The Bank discontinues hedge accounting prospectively if it determines that the derivative is no longer highly effective in offsetting changes in the fair value or cash flows of the hedged item, or if it is no longer probable that the hedged loan repayment will occur. If hedge accounting is discontinued because the hedge ceases to be effective, the Bank will continue to record the swap at fair value with changes in value reflected in earnings for the period, and any fair value adjustments included in other comprehensive income will be recognized in the consolidated statements of income over the remaining life of the loan. If it is probable that the hedged loan repayments will not occur, gains and losses accumulated in other comprehensive income (loss) are recognized immediately in earnings.

# North American Development Bank

## Notes to Consolidated Financial Statements

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### 2. Summary of Significant Accounting Policies (Continued)

Derivatives executed with all counterparties are subject to a master-netting arrangement, except for one (1) counterparty backed by the federal government of Mexico. The net fair value of derivatives by counterparty is offset with the outstanding balance of the collateral received from or paid to the counterparty for financial reporting purposes. Additional information on the amounts subject to master netting arrangements and collateral is provided in Note 5.

#### *Fair Value*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Bank carries cross-currency interest rate swaps, interest rate swaps, options, hedged items, and available-for-sale debt securities at fair value. To determine the fair market value of its financial instruments, the Bank uses the fair value hierarchy, which is based on three levels of inputs as follows:

**Level 1** - Quoted prices in active markets for identical assets or liabilities, which the reporting entity has the ability to access at the measurement date. This category generally includes U.S. government securities, U.S. agency securities, corporate debt securities, other fixed income securities, mortgage-backed securities, and Mexican government securities (UMS).

**Level 2** - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. This category generally includes cross-currency interest rate swaps, interest rate swaps and options.

**Level 3** - Unobservable inputs that are supported by little or no market activity and that are significant in determining the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category includes the fair value of hedged items where independent pricing information is not available for a significant portion of the underlying assets or liabilities. For these consolidated financial statements, the Bank also obtains dealer quotations for comparative purposes to assess the reasonableness of the pricing models.

Additional information on the fair value of the financial instruments of the Bank is provided in Note 10.

#### *Accumulated Other Comprehensive Income*

The components of other comprehensive income are reported in the accompanying consolidated statements of comprehensive income for all periods presented and in Note 7.

#### *Reclassifications*

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year consolidated financial statement presentation.

# North American Development Bank

## Notes to Consolidated Financial Statements

### 3. Investments

All investments held by the Bank are classified as either held-to-maturity or available-for-sale securities. The following schedule summarizes investments as of December 31, 2020 and 2019:

December 31, 2020	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Held-to-maturity:				
U.S. government securities	\$ 3,473,904	\$ 17,722	\$ -	\$ 3,491,626
U.S. agency securities	-	-	-	-
<b>Total held-to-maturity investment securities</b>	<b>3,473,904</b>	<b>17,722</b>	<b>-</b>	<b>3,491,626</b>
Available-for-sale:				
U.S. government securities	470,074,586	2,233,696	(23,073)	472,285,209
U.S. agency securities	199,953,973	523,486	(15,432)	200,462,027
Corporate debt securities	193,648,912	1,552,832	(58,487)	195,143,257
Other fixed-income securities	49,001,718	411,131	(1,540)	49,411,309
Mexican government securities (UMS)	14,313,957	906,543	-	15,220,500
Mortgage-backed securities	8,590,235	32,129	(3,026)	8,619,338
<b>Total available-for-sale investment securities</b>	<b>935,583,381</b>	<b>5,659,817</b>	<b>(101,558)</b>	<b>941,141,640</b>
<b>Total investment securities</b>	<b>\$ 939,057,285</b>	<b>\$ 5,677,539</b>	<b>\$ (101,558)</b>	<b>\$ 944,633,266</b>

  

December 31, 2019	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Held-to-maturity:				
U.S. government securities	\$ 3,575,722	\$ 15,800	\$ (5,670)	\$ 3,585,852
U.S. agency securities	463,000	-	(32)	462,968
<b>Total held-to-maturity investment securities</b>	<b>4,038,722</b>	<b>15,800</b>	<b>(5,702)</b>	<b>4,048,820</b>
Available-for-sale:				
U.S. government securities	431,399,709	1,070,888	(57,102)	432,413,495
U.S. agency securities	65,065,747	89,882	(32,206)	65,123,423
Corporate debt securities	89,491,507	559,199	(8,410)	90,042,296
Other fixed-income securities	25,931,037	77,166	(13,054)	25,995,149
Mexican government securities (UMS)	14,093,290	251,701	(18,634)	14,326,357
<b>Total available-for-sale investment securities</b>	<b>625,981,290</b>	<b>2,048,836</b>	<b>(129,406)</b>	<b>627,900,720</b>
<b>Total investment securities</b>	<b>\$ 630,020,012</b>	<b>\$ 2,064,636</b>	<b>\$ (135,108)</b>	<b>\$ 631,949,540</b>

# North American Development Bank

## Notes to Consolidated Financial Statements

### 3. Investments (Continued)

The following schedule summarizes unrealized losses and the fair value of investments aggregated by category and the length of time individual securities have been in a continuous unrealized loss position as of December 31, 2020 and 2019:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>December 31, 2020</b>						
Held-to-maturity:						
U.S. government securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. agency securities	-	-	-	-	-	-
Total held-to-maturity securities	-	-	-	-	-	-
Available-for-sale:						
U.S. government securities	30,168,844	23,073	-	-	30,168,844	23,073
U.S. agency securities	17,413,203	15,432	-	-	17,413,203	15,432
Corporate debt securities	71,500,056	58,487	-	-	71,500,056	58,487
Other fixed-income securities	998,460	1,540	-	-	998,460	1,540
Mortgage-backed securities	1,360,079	3,026	-	-	1,360,079	3,026
Total available-for-sale investment securities	121,440,642	101,558	-	-	121,440,642	101,558
Total temporarily impaired securities	\$121,440,642	\$ 101,558	\$ -	\$ -	\$121,440,642	\$ 101,558

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>December 31, 2019</b>						
Held-to-maturity:						
U.S. government securities	\$ 1,763,893	\$ 5,670	\$ -	\$ -	\$ 1,763,893	\$ 5,670
U.S. agency securities	462,968	32	-	-	462,968	32
Total held-to-maturity securities	2,226,861	5,702	-	-	2,226,861	5,702
Available-for-sale:						
U.S. government securities	3,822,874	245	21,249,428	56,857	25,072,302	57,102
U.S. agency securities	-	-	8,765,302	32,206	8,765,302	32,206
Corporate debt securities	3,122,705	1,186	4,992,000	7,224	8,114,705	8,410
Other fixed-income securities	2,664,488	1,339	3,754,812	11,715	6,419,300	13,054
Mexican government securities (UMS)	3,605,000	18,634	-	-	3,605,000	18,634
Total available-for-sale investment securities	13,215,067	21,404	38,761,542	108,002	51,976,609	129,406
Total temporarily impaired securities	\$ 15,441,928	\$ 27,106	\$ 38,761,542	\$ 108,002	\$ 54,203,470	\$ 135,108

None of the unrealized losses identified in the preceding table are considered to be other-than-temporary or related to a credit impairment of an issuer as of December 31, 2020. As of that same date, the Bank did not have the intent to sell any of the securities with unrealized losses and believed that it was more-likely-than-not that the Bank would not be required to sell any such securities before a recovery of cost.

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

**3. Investments (Continued)**

Contractual maturities of investments as of December 31, 2020 and 2019 are summarized in the following table:

December 31, 2020	Held-to-Maturity Securities		Available-for-Sale Securities	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Less than 1 year	\$ 1,188,427	\$ 1,171,776	\$295,822,791	\$295,588,528
1-5 years	2,303,199	2,302,128	614,278,423	609,021,651
5-10 years	-	-	22,421,088	22,382,967
More than 10 years	-	-	-	-
Mortgage-backed securities	-	-	8,619,338	8,590,235
	<b>\$ 3,491,626</b>	<b>\$ 3,473,904</b>	<b>\$941,141,640</b>	<b>\$935,583,381</b>

December 31, 2019	Held-to-Maturity Securities		Available-for-Sale Securities	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Less than 1 year	\$ 1,729,878	\$ 1,718,471	\$ 512,521,292	\$ 512,218,478
1-5 years	2,318,942	2,320,251	115,379,428	113,762,812
5-10 years	-	-	-	-
More than 10 years	-	-	-	-
	<b>\$ 4,048,820</b>	<b>\$ 4,038,722</b>	<b>\$ 627,900,720</b>	<b>\$ 625,981,290</b>

Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

The following table summarizes sale and maturity activity of investment securities for the years ended December 31, 2020 and 2019:

Year Ended December 31,	2020	2019
Held-to-maturity investment securities:		
Proceeds from maturities	\$ 3,522,068	\$ 2,266,000
Available-for-sale investment securities:		
Proceeds from sales and maturities	1,998,069,060	461,059,479
Gross realized gains	326,948	102,627
Gross realized losses	12,931	14,775

The following table sets forth the net unrealized gains (losses) on securities available-for-sale and the reclassification adjustments required for the years December 31, 2020 and 2019:

Year Ended December 31,	2020	2019
Net unrealized gains (losses) on investment securities available-for-sale, beginning of year	\$ 1,919,430	\$ (2,329,346)
Net unrealized gains on investment securities available-for-sale, arising during the year	3,952,846	4,336,628
Reclassification adjustments for net gains on investment securities available-for-sale included in net income	(314,017)	(87,852)
Net unrealized gains on investment securities available-for-sale, end of year	<b>\$ 5,558,259</b>	<b>\$ 1,919,430</b>

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

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**4. Loans**

The following schedule summarizes loans outstanding as of December 31, 2020 and 2019:

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
Loan balance	\$ 1,126,330,083	\$ 1,301,746,523
Allowance for loan losses:		
General	(16,834,062)	(16,834,062)
Specific	(2,401,420)	(2,382,783)
Unamortized loan fees	(9,529,630)	(12,284,799)
Foreign currency exchange rate adjustment	(46,483,700)	(33,301,924)
Fair value of hedged items	(33,183,106)	(62,856,585)
<b>Net loans outstanding</b>	<b>\$ 1,017,898,165</b>	<b>\$ 1,174,086,370</b>

At December 31, 2020 and 2019, outstanding unfunded loan commitments on signed loan agreements totaled \$107,830,319 and \$99,857,959, respectively. As of December 31, 2020, the Bank had loan agreements under development for an additional \$227,439,046.

The Bank under certain circumstances offered below-market-rate loans under its Low Interest Rate Lending Facility (LIRF) program, which was terminated in May 2013. As of December 31, 2020 and 2019, the Bank had LIRF loans outstanding of \$23,929,910 and \$27,438,337, respectively.

The following table presents the loan portfolio by sector as of December 31, 2020 and 2019:

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
Water and wastewater	\$ 111,640,646	\$ 110,547,849
Storm drainage	9,453,086	10,713,740
Solid waste	2,330,000	2,845,000
Air quality	69,918,844	78,483,962
Public transportation	36,618,749	42,004,524
Wind energy	552,146,957	590,585,436
Solar energy	277,208,413	429,095,367
Energy efficiency	245,300	-
Other clean energy	1,759,011	2,945,529
Basic urban infrastructure	32,914,164	34,525,116
ProRec <sup>1</sup>	32,094,913	-
	<b>\$ 1,126,330,083</b>	<b>\$ 1,301,746,523</b>

<sup>1</sup>On May 21, 2020, the Board of Directors approved a COVID-19 Recovery Program (ProRec). The program's objective is to enhance the economic recovery and the general health and welfare of U.S./Mexico border communities supporting projects with a positive environmental impact.

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

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**4. Loans (Continued)**

The following table presents the loan portfolio by borrower type as of December 31, 2020 and 2019:

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
Private	\$ 866,219,419	\$ 1,062,617,460
Public	198,931,343	180,595,606
Public-private	61,179,321	58,533,457
	<b>\$ 1,126,330,083</b>	<b>\$ 1,301,746,523</b>

In public-private transactions, a private company is the borrower backed by tax revenue.

The following table presents the loan portfolio by risk category as of December 31, 2020 and 2019. These risk categories are defined in Note 2, along with additional information on how the Bank evaluates credit quality:

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
A-1	\$ 30,689,556	\$ 34,593,756
A-2	291,552,675	355,904,478
A-3	616,064,228	610,206,818
B-1	171,371,972	276,452,024
B-2	-	9,529,283
B-3	-	932,135
C	2,850,000	-
D	13,801,652	14,128,029
E	-	-
	<b>\$ 1,126,330,083</b>	<b>\$ 1,301,746,523</b>

The Bank has one non-accrual loan that was restructured and, as of December 31, 2020 and 2019, had an outstanding balance of \$13,801,652 and \$14,128,029, respectively. There was no charge-off of principal and interest related to this restructured loan. The specific allowance for this loan totaled \$2,401,420 and \$2,382,783 as of December 31, 2020 and 2019, respectively.

No loans were restructured during the years ended December 31, 2020 and 2019. The average impaired loan balance for the years December 31, 2020 and 2019 totaled \$14,013,327 and \$14,300,091, respectively.

An age analysis of past-due loans, including both accruing and non-accruing loans, as of December 31, 2020 and 2019, is shown in the following table:

	Loans 30-89 days past due	Loans 90 or more days past due	Total loans 30+ days past due
<b>December 31, 2020</b>	\$ -	\$ -	\$ -
<b>December 31, 2019</b>	-	-	-

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

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**4. Loans (Continued)**

There were no loans past due 90 or more days accruing interest as of December 31, 2020 and 2019.

The following table summarizes the allowance for loan losses by classification as of December 31, 2020 and 2019.

December 31, 2020	Allowance for Loan Losses			Total Loans Outstanding
	General Allowance	Specific Allowance	Total	
Mexico:				
Construction	\$ 1,504,980	\$ -	\$ 1,504,980	\$ 100,000,000
Operation	11,682,988	2,401,420	14,084,408	798,678,063
Total Mexico	13,187,968	2,401,420	15,589,388	898,678,063
United States				
Construction	5,831	-	5,831	245,300
Operation	3,640,263	-	3,640,263	227,406,720
Total United States	3,646,094	-	3,646,094	227,652,020
	\$ 16,834,062	\$ 2,401,420	\$ 19,235,482	\$ 1,126,330,083

December 31, 2019	Allowance for Loan Losses			Total Loans Outstanding
	General Allowance	Specific Allowance	Total	
Mexico:				
Construction	\$ 4,877,573	\$ -	\$ 4,877,573	\$ 282,303,028
Operation	8,032,616	2,382,783	10,415,399	692,724,906
Total Mexico	12,910,189	2,382,783	15,292,972	975,027,934
United States				
Construction	47,926	-	47,926	2,845,000
Operation	3,875,947	-	3,875,947	323,873,589
Total United States	3,923,873	-	3,923,873	326,718,589
	\$ 16,834,062	\$ 2,382,783	\$ 19,216,845	\$ 1,301,746,523

# North American Development Bank

## Notes to Consolidated Financial Statements

### 4. Loans (Continued)

The following schedule summarizes the changes in the allowance for loan losses for the years ended December 31, 2020 and 2019:

December 31, 2020	Change in Allowance for Loan Losses				Ending Balance
	Beginning Balance	Specific Provisions	General Provisions	Loan (Charge-offs) Recoveries	
Mexico:					
Construction	\$ 4,877,573	\$ -	\$ (3,372,593)	\$ -	\$ 1,504,980
Operation	10,415,399	18,637	3,650,372	-	14,084,408
Total Mexico	15,292,972	18,637	277,779	-	15,589,388
United States					
Construction	47,926	-	(42,095)	-	5,831
Operation	3,875,947	-	(235,684)	-	3,640,263
Total United States	3,923,873	-	(277,779)	-	3,646,094
	<b>\$ 19,216,845</b>	<b>\$ 18,637</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,235,482</b>

December 31, 2019	Change in Allowance for Loan Losses				Ending Balance
	Beginning Balance	Specific Provisions	General Provisions	Loan (Charge-offs) Recoveries	
Mexico:					
Construction	\$ 6,240,336	\$ -	\$ (1,362,763)	\$ -	\$ 4,877,573
Operation	9,440,443	55,682	919,274	-	10,415,399
Total Mexico	15,680,779	55,682	(443,489)	-	15,292,972
United States					
Construction	251,799	-	(203,873)	-	47,926
Operation	3,221,929	-	654,018	-	3,875,947
Total United States	3,473,728	-	450,145	-	3,923,873
	<b>\$ 19,154,507</b>	<b>\$ 55,682</b>	<b>\$ 6,656</b>	<b>\$ -</b>	<b>\$ 19,216,845</b>

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

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**5. Other Assets and Other Liabilities**

The following table presents the gross and net balances of other assets and other liabilities, including the result of master netting arrangements for derivatives with certain swap counterparties, at December 31, 2020 and 2019:

<i>December 31, 2020</i>	Gross Amount	Master Netting Arrangements	Net Amount
<b>Assets</b>			
Cross-currency interest rate swaps	\$ 183,664,718	\$ (20,142,887)	\$ 163,521,831
Interest rate swaps	10,798,809	-	10,798,809
Options	12,253,253	-	12,253,253
Collateral from counterparty	(48,020,000)	-	(48,020,000)
Credit valuation adjustment for swaps	(2,149,166)	-	(2,149,166)
<b>Total other assets</b>	<b>\$ 156,547,614</b>	<b>\$ (20,142,887)</b>	<b>\$ 136,404,727</b>
<b>Liabilities</b>			
Cross-currency interest rate swaps	\$ 6,953,255	-	\$ 6,953,255
Interest rate swaps	10,718,238	-	10,718,238
<b>Total other liabilities</b>	<b>\$ 17,671,493</b>	<b>\$ -</b>	<b>\$ 17,671,493</b>
<hr/>			
<i>December 31, 2019</i>	Gross Amount	Master Netting Arrangements	Net Amount
<b>Assets</b>			
Cross-currency interest rate swaps	\$ 146,184,534	\$ (41,851,728)	\$ 104,332,806
Interest rate swaps	3,168,171	(249,065)	2,919,106
Collateral from counterparty	(43,950,000)	-	(43,950,000)
Credit valuation adjustment for swaps	(908,410)	-	(908,410)
<b>Total other assets</b>	<b>\$ 104,494,295</b>	<b>\$ (42,100,793)</b>	<b>\$ 62,393,502</b>
<b>Liabilities</b>			
Cross-currency interest rate swaps	\$ 1,000,876	-	\$ 1,000,876
Interest rate swaps	465,236	-	465,236
<b>Total other liabilities</b>	<b>\$ 1,466,112</b>	<b>\$ -</b>	<b>\$ 1,466,112</b>

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

**6. Debt**

The following tables summarize the notes payable and other borrowings as of December 31, 2020 and 2019:

December 31, 2020									
Issue Date	Maturity Date	Fixed Rate	Principal Amount	Unamortized Premium/ (Discount)	Unamortized Debt Issuance Costs	FX Translation Adjustment	Fair Value of Hedged Items	Net Debt	
<b>Notes Payable</b>									
<u>USD Issuance</u>									
12/17/12	10/26/22	2.40%	\$ 150,002,000	\$ (573,779)	\$ (142,826)	-	\$ 3,953,433	\$ 153,238,828	
12/17/12	12/17/30	3.30	50,000,000	-	(171,245)	-	6,845,376	56,674,131	
<u>CHF Issuance</u>									
04/30/15	04/30/25	0.25	128,706,754	378,775	(359,961)	-	14,706,973	143,432,541	
04/26/17	10/26/27	0.20	124,443,117	297,148	(487,925)	-	16,924,151	141,176,491	
07/24/18	07/24/26	0.30	126,415,858	115,888	(566,597)	-	19,317,004	145,282,153	
05/28/20	11/28/28	0.20	186,316,116	20,811	(997,535)	17,027,761	-	202,367,153	
05/28/20	05/27/33	0.55	165,614,326	705,615	(1,011,565)	15,135,787	-	180,444,163	
<u>NOK Issuance</u>									
03/10/17	03/10/31	2.47	86,724,283	-	(214,688)	-	(526,273)	85,983,322	
03/10/17	03/10/32	2.47	86,724,283	-	(220,036)	-	(645,850)	85,858,397	
Total notes payable			1,104,946,737	944,458	(4,172,378)	32,163,548	60,574,814	1,194,457,179	
<b>Other Borrowings</b>									
08/14/14	06/30/21	1.90	1,008,985	-	-	-	-	1,008,985	
02/13/15	06/30/21	1.90	1,623,015	-	-	-	-	1,623,015	
02/13/15	12/30/21	1.90	1,470,635	-	-	-	-	1,470,635	
07/29/15	12/30/21	1.90	1,161,365	-	-	-	-	1,161,365	
07/29/15	06/30/22	1.90	266,455	-	-	-	-	266,455	
09/16/16	06/30/22	1.90	2,216,528	-	-	-	-	2,216,528	
03/17/17	06/30/22	1.90	149,017	-	-	-	-	149,017	
03/17/17	12/30/22	1.90	2,632,000	-	-	-	-	2,632,000	
03/17/17	06/30/23	1.90	2,632,000	-	-	-	-	2,632,000	
03/17/17	12/30/23	1.90	2,632,000	-	-	-	-	2,632,000	
03/17/17	06/30/24	1.90	2,632,000	-	-	-	-	2,632,000	
03/17/17	12/30/24	1.90	2,170,720	-	-	-	-	2,170,720	
11/13/17	12/30/24	1.90	461,280	-	-	-	-	461,280	
Total other borrowings			21,056,000	-	-	-	-	21,056,000	
			\$1,126,002,737	\$ 944,458	\$ (4,172,378)	\$ 32,163,548	\$ 60,574,814	\$1,215,513,179	

# North American Development Bank

## Notes to Consolidated Financial Statements

### 6. Debt (Continued)

			December 31, 2019				
Issue Date	Maturity Date	Fixed Rate	Principal Amount	Unamortized Premium/ (Discount)	Unamortized Debt Issuance Costs	Fair Value of Hedged Items	Net Debt
<b>Notes Payable</b>							
<u>USD Issuance</u>							
02/11/10	02/11/20	4.375%	\$ 250,000,000	\$ (7,250)	\$ (17,955)	\$ 357,621	\$ 250,332,416
10/26/12	10/26/22	2.400	250,000,000	(242,472)	(419,289)	794,892	250,133,131
12/17/12	10/26/22	2.400	180,000,000	(1,066,952)	(265,588)	(249,065)	178,418,395
12/17/12	12/17/30	3.300	50,000,000	-	(188,411)	2,015,659	51,827,248
<u>CHF Issuance</u>							
04/30/15	04/30/25	0.250	128,706,754	437,476	(443,029)	1,857,340	130,558,541
04/26/17	10/26/27	0.200	124,443,117	301,186	(559,473)	2,644,695	126,829,525
07/24/18	07/24/26	0.300	126,415,858	122,647	(668,432)	6,293,435	132,163,508
<u>NOK Issuance</u>							
03/10/17	03/10/32	2.470	173,448,566	-	(483,051)	(19,208,874)	153,756,641
Total notes payable			1,283,014,295	(455,365)	(3,045,228)	(5,494,297)	1,274,019,405
<b>Other Borrowings</b>							
04/11/14	06/30/20	1.900	526,785	-	-	-	526,785
08/14/14	06/30/20	1.900	2,105,215	-	-	-	2,105,215
08/14/14	12/30/20	1.900	2,632,000	-	-	-	2,632,000
08/14/14	06/30/21	1.900	1,008,985	-	-	-	1,008,985
02/13/15	06/30/21	1.900	1,623,015	-	-	-	1,623,015
02/13/15	12/30/21	1.900	1,470,635	-	-	-	1,470,635
07/29/15	12/30/21	1.900	1,161,365	-	-	-	1,161,365
07/29/15	06/30/22	1.900	266,455	-	-	-	266,455
09/16/16	06/30/22	1.900	2,216,528	-	-	-	2,216,528
03/17/17	06/30/22	1.900	149,017	-	-	-	149,017
03/17/17	12/30/22	1.900	2,632,000	-	-	-	2,632,000
03/17/17	06/30/23	1.900	2,632,000	-	-	-	2,632,000
03/17/17	12/30/23	1.900	2,632,000	-	-	-	2,632,000
03/17/17	06/30/24	1.900	2,632,000	-	-	-	2,632,000
03/17/17	12/30/24	1.900	2,170,720	-	-	-	2,170,720
11/13/17	12/30/24	1.900	461,280	-	-	-	461,280
Total other borrowings			26,320,000	-	-	-	26,320,000
			\$ 1,309,334,295	\$ (455,365)	\$ (3,045,228)	\$ (5,494,297)	\$1,300,339,405

#### **Notes Payable**

The notes payable are unsecured, rank equally with all other unsecured indebtedness, and cannot be redeemed prior to their maturity, at which time they will be redeemed at 100% of their principal amount. Interest payments are due semiannually or annually.

The fair value of the hedges relating to interest rate swaps on notes payable denominated in U.S. dollars was reported at December 31, 2020 and 2019 as other assets of \$10,798,809 and \$2,919,106, respectively. The fair value of the hedges relating to cross-currency interest rate swaps on notes payable not denominated in U.S. dollars was reported at December 31, 2020 and 2019 as other assets of \$72,134,055 and \$(3,394,273), respectively. The fair value of hedges relating to options on notes payable not denominated in U.S. dollars was reported at December 31, 2020 as other assets of \$12,253,253. Additional information on the fair value of financial instruments and derivatives is provided in Notes 10 and 11.

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

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**6. Debt (Continued)**

***Other Borrowings***

On November 8, 2012, the Bank signed a loan commitment with another development bank to borrow up to \$50 million to fund eligible projects in Mexico. This loan amortizes semiannually, with the first principal payment paid on December 30, 2015 and final principal payment due on December 30, 2024. As of December 31, 2020 and 2019, the outstanding balance was \$21,056,000 and \$26,320,000, respectively.

The following table summarizes the maturities of the notes payable and other borrowings as of December 31, 2020 and 2019:

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
Less than 1 year	\$ 5,264,000	\$ 255,264,000
1-2 years	155,266,000	5,264,000
2-3 years	5,264,000	435,264,000
3-4 years	5,264,000	5,264,000
4-5 years	128,706,754	5,264,000
5-10 years	487,175,091	379,565,729
More than 10 years	339,062,892	223,448,566
<b>Total</b>	<b>\$ 1,126,002,737</b>	<b>\$ 1,309,334,295</b>

The following table summarizes short-term and long-term debt as of December 31, 2020 and 2019:

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
<b>Short-term debt:</b>		
Notes payable	\$ -	\$ 250,000,000
Other borrowings	5,264,000	5,264,000
<b>Total short-term debt</b>	<b>5,264,000</b>	<b>255,264,000</b>
<b>Long-term debt:</b>		
Notes payable	1,104,946,737	1,033,014,295
Other borrowings	15,792,000	21,056,000
<b>Total long-term debt</b>	<b>1,120,738,737</b>	<b>1,054,070,295</b>
<b>Total debt</b>	<b>\$ 1,126,002,737</b>	<b>\$ 1,309,334,295</b>

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

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**7. Equity**

***Subscribed Capital***

At December 31, 2020 and 2019, the shareholders of the Bank had subscribed 600,000 shares of capital stock, with a par value of \$10,000 per share. As defined in the Charter, capital includes unqualified and qualified subscribed shares. Qualified subscribed shares are subject to the necessary legal requirements of each subscribing country. Unqualified subscribed shares have either been funded or authorized for purchase by the subscribing country. Capital is further classified as callable or paid-in capital at December 31, 2020 and 2019 as shown in the following tables.

<i>December 31, 2020</i>	Mexico		United States		Total	
	Shares	USD Thousand	Shares	USD Thousand	Shares	USD Thousand
Subscribed capital	300,000	\$ 3,000,000	300,000	\$ 3,000,000	600,000	\$ 6,000,000
Less:						
Qualified callable capital	(121,833)	(1,218,330)	(102,000)	(1,020,000)	(223,833)	(2,238,330)
Unqualified callable capital	(133,167)	(1,331,670)	(153,000)	(1,530,000)	(286,167)	(2,861,670)
Qualified paid-in capital	(21,500)	(215,000)	-	-	(21,500)	(215,000)
Total funded paid-in capital	23,500	235,000	45,000	450,000	68,500	685,000
Less restricted from commitments	-	-	-	(165,000)	-	(165,000)
Less transfer for Domestic Programs	-	(22,500)	-	(22,500)	-	(45,000)
Total paid-in capital	23,500	\$ 212,500	45,000	\$ 262,500	68,500	\$ 475,000

<i>December 31, 2019</i>	Mexico		United States		Total	
	Shares	USD Thousand	Shares	USD Thousand	Shares	USD Thousand
Subscribed capital	300,000	\$ 3,000,000	300,000	\$ 3,000,000	600,000	\$ 6,000,000
Less:						
Qualified callable capital	(121,833)	(1,218,330)	(127,500)	(1,275,000)	(249,333)	(2,493,330)
Unqualified callable capital	(133,167)	(1,331,670)	(127,500)	(1,275,000)	(260,667)	(2,606,670)
Qualified paid-in capital	(21,500)	(215,000)	(22,500)	(225,000)	(44,000)	(440,000)
Total funded paid-in capital	23,500	235,000	22,500	225,000	46,000	460,000
Less transfer for Domestic Programs	-	(22,500)	-	(22,500)	-	(45,000)
Total paid-in capital	23,500	\$ 212,500	22,500	\$ 202,500	46,000	\$ 415,000

# North American Development Bank

## Notes to Consolidated Financial Statements

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### 7. Equity (Continued)

In 1994, the initial subscribed capital of the Bank was \$3,000,000,000 with equal commitments from Mexico and the United States. Each government subscribed 150,000 shares of capital with a par value of \$10,000 per share or \$1,500,000,000. By 2009, the Bank had received \$225,000,000 in paid-in capital and \$1,275,000,000 in unqualified callable capital from each country for a total of \$450,000,000 paid-in capital and \$2,550,000,000 unqualified callable capital.

The Charter allows up to 10% each country's initial subscription of paid-in and callable capital to be set aside to finance community adjustment and investment programs (the Domestic Programs). In prior years, the Bank transferred \$45 million equal to 10% of the initial paid-in capital of \$450 million to these programs. As of June 29, 1999, the paid-in capital of the Mexican Domestic Program was fully transferred to Mexico. As of December 31, 2018, the paid-in capital of the U.S. Domestic Program was fully disbursed by the Finance Committee appointed by the U.S. Government for this program

In 2015, Mexico and the United States each agreed to subscribe 150,000 additional shares. With this General Capital Increase (GCI), each government has subscribed 300,000 shares of capital with a par value of \$10,000 per share or \$3,000,000,000 for a total of \$6,000,000,000 as of December 31, 2020 and 2019.

On May 6, 2016, Mexico submitted its letter of subscription to conditionally subscribe to 150,000 additional shares of capital stock with a par value of \$10,000 per share, subject to the necessary legal requirements and availability of budget allocations. The capital stock was classified as 22,500 qualified paid-in capital shares or \$225,000,000 and 127,500 qualified callable shares or \$1,275,000,000.

On September 1, 2016, the United States submitted its letter of subscription to conditionally subscribe to 150,000 additional shares of capital stock with a par value of \$10,000 per share, subject to the necessary authorizing legislation and availability of appropriations. The capital stock was classified as 22,500 qualified paid-in capital shares or \$225,000,000 and 127,500 qualified callable shares or \$1,275,000,000.

On September 26, 2016, Mexico made its first GCI contribution and unqualified additional paid-in capital of \$10,000,000 or 1,000 shares and unqualified \$56,670,000 or 5,667 callable capital shares.

On January 29, 2020, the U.S. Government signed into law the United States-Mexico-Canada Agreement (USMCA). Within this legislation, the U.S. authorized 22,500 shares of paid in capital with a par value of \$10,000 per share or \$225,000,000 and appropriations of \$215,000,000.

On April 23, 2020, the United States made its first GCI contribution of additional paid-in capital of \$10,000,000 or 1,000 shares. On April 25, 2020, the United States unqualified \$10,000,000 or 1,000 shares of paid-in capital and unqualified \$56,670,000 or 5,667 shares of callable capital shares.

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

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**7. Equity (Continued)**

On August 6, 2020, the United States completed its paid-in capital commitment under the GCI by unqualifying its subscription to 21,500 paid-in capital shares and making a corresponding payment of \$215,000,000. Of this amount, \$165,000,000 is restricted from commitment, in accordance with Chapter II, Article II, Section 3(c) of the Charter, until matching subscription payments are received from Mexico, and is recorded as a deferred U.S. capital contribution in the consolidated balance sheets. On this date, the United States also unqualified its subscription to 19,833 callable capital shares with a value of \$198,330,000.

In accordance with Board Resolution BR 2020-7, the remaining subscriptions shall be made in several installments by December 31, 2028, or such later dates as the Board of Directors shall determine. The callable portion of the subscription for capital shares of the Bank will be subject to call only when required to meet obligations, as outlined in Chapter II, Article II, Section 3(d) of the Charter.

**Retained Earnings**

Retained earnings are classified as designated, reserved, or undesignated by program, as shown in the following table:

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
Designated retained earnings		
Water Conservation Investment Fund (WCIF)	\$ -	\$ 95,594
Technical Assistance Program (TAP)	2,279,897	2,802,305
Community Assistance Program (CAP)	5,862,458	7,715,406
<b>Total designated retained earnings</b>	<b>8,142,355</b>	<b>10,613,305</b>
Reserved retained earnings		
Debt Service Reserve	28,613,000	38,290,000
Operating Expenses Reserve	22,682,824	21,812,376
Special Reserve	30,000,000	30,000,000
Capital Preservation Reserve	76,319,223	69,661,128
<b>Total reserved retained earnings</b>	<b>157,615,047</b>	<b>159,763,504</b>
Undesignated retained earnings		
Operations	106,277,039	81,145,125
Mark-to-Market Hedge Valuations	1,447,125	7,076,567
<b>Total undesignated retained earnings</b>	<b>107,724,164</b>	<b>88,221,692</b>
<b>Total retained earnings</b>	<b>\$ 273,481,566</b>	<b>\$ 258,598,501</b>

Additional information regarding the reserve funds and each program listed above is provided in Notes 2 and 8, respectively.

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

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**7. Equity (Continued)**

*Accumulated Other Comprehensive Income*

The following table presents the changes in accumulated other comprehensive income for the years ended December 31, 2020 and 2019:

<i>December 31, 2020</i>	Beginning Balance	Period Activity	Ending Balance
Net unrealized gain on available-for-sale investment securities	\$ 1,919,430	\$ 3,638,829	\$ 5,558,259
Foreign currency translation adjustment	304,250	36,706	340,956
Unrealized gain (loss) on hedging activities:			
Foreign currency translation adjustment	(33,301,924)	(15,679,290)	(48,981,214)
Fair value of cross-currency interest rate swaps	40,438,536	17,907,283	58,345,819
Net unrealized gain on hedging activities	7,136,612	2,227,993	9,364,605
<b>Total accumulated other comprehensive income</b>	<b>\$ 9,360,292</b>	<b>\$ 5,903,528</b>	<b>\$ 15,263,820</b>

<i>December 31, 2019</i>	Beginning Balance	Period Activity	Ending Balance
Net unrealized gain (loss) on available-for-sale investment securities	\$ (2,329,346)	\$ 4,248,776	\$ 1,919,430
Foreign currency translation adjustment	337,247	(32,997)	304,250
Unrealized gain (loss) on hedging activities:			
Foreign currency translation adjustment	(40,516,565)	7,214,641	(33,301,924)
Fair value of cross-currency interest rate swaps	51,632,678	(11,194,142)	40,438,536
Net unrealized gain (loss) on hedging activities	11,116,113	(3,979,501)	7,136,612
<b>Total accumulated other comprehensive income</b>	<b>\$ 9,124,014</b>	<b>\$ 236,278</b>	<b>\$ 9,360,292</b>

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

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**8. Program Activities**

Program activities are comprised of the following:

<i>Year Ended December 31,</i>	<b>2020</b>	<b>2019</b>
<b>Program Income</b>		
Non-program specific contribution:		
U.S. Department of State	\$ 2,902,000	\$ 2,902,000
Ministry of Environment and Natural Resources (SEMARNAT)	1,793,750	1,793,750
Program-specific expense reimbursements and grant income:		
Border Environment Infrastructure Fund (BEIF)	1,489,776	997,312
Project Development Assistance Program (PDAP)	2,082,106	1,652,132
U.S. Mexico Border 2020 Program (Border 2020)	590,679	678,664
Other grant income	971	32,687
<b>Total program income</b>	<b>8,859,282</b>	<b>8,056,545</b>
<b>Program Expenses</b>		
Operating expenses:		
BEIF	1,489,776	997,312
PDAP	981,502	675,438
Border 2020	236,561	295,064
Other	971	32,687
<b>Total operating expenses</b>	<b>2,708,810</b>	<b>2,000,501</b>
Grant disbursements:		
PDAP	1,100,604	976,694
Border 2020	405,572	542,426
Community Assistance Program (CAP)	1,852,948	252,438
Water Conservation Investment Fund (WCIF)	95,594	-
COVID-19 Recovery Program (ProRec)	50,000	-
Technical Assistance Program (TAP)	522,408	122,478
Utility Management Institute (UMI)	58,676	139,092
<b>Total grant disbursements</b>	<b>4,085,802</b>	<b>2,033,128</b>
<b>Total program expenses</b>	<b>6,794,612</b>	<b>4,033,629</b>
<b>Net program income</b>	<b>\$ 2,064,670</b>	<b>\$ 4,022,916</b>

***Border Environment Infrastructure Fund (BEIF)***

The Bank administers grant funds from EPA through the BEIF. EPA grant awards since the initial grant made in April 1997 to December 31, 2020, total \$743,741,258. Under the terms of the grants, the Bank reviews and submits prospective projects to EPA. EPA approves the projects and they are subsequently certified for financing by the Board of Directors. EPA then disburses funds to the Bank, which directs the grant monies to the specified project. The Bank also oversees progress and compliance requirements for EPA and receives an allocation of the EPA grant funds for administrative expenses incurred.

As of December 31, 2020, EPA has approved project funding proposed by the Bank totaling \$691,778,990, of which \$657,914,595 has been disbursed through the Bank. The Bank recognized \$1,489,776 and \$997,312 as reimbursement of expenses incurred for the years ended December 31, 2020 and 2019, respectively. These funds have been recorded as program revenue and expenses in the consolidated statements of income.

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

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## **8. Program Activities (Continued)**

### ***Water Conservation Investment Fund (WCIF)***

In August 2002, the Board of Directors established the WCIF to finance water conservation projects in the U.S.-Mexico border region and designated \$80,000,000 of the Bank's undesignated retained earnings to the program. Of that amount, \$40,000,000 was reserved exclusively for water conservation projects in each country. For the years ended December 31, 2020 and 2019, \$95,594 and \$0, respectively, were disbursed under this program. As of December 31, 2020 and 2019, cumulative disbursements for the United States totaled \$38,334,972 and \$38,239,378, respectively. As of December 31, 2020 and 2019, cumulative disbursements for Mexico totaled \$39,990,407. These disbursements were reported as a program expense.

In May 2013, the Board agreed to close out the WCIF and transfer any uncommitted funds to the CAP program. A cumulative total of \$1,674,621 in uncommitted WCIF funds was transferred to the CAP program.

### ***Community Assistance Program (CAP)***

In February 2011, the Board of Directors approved a grant program to support public projects in all sectors eligible for Bank financing. Subject to annual limits, the CAP program is funded from the Bank's undesignated retained earnings as authorized by the Board. As of December 31, 2020, a cumulative total of \$14,092,840 has been allocated to the CAP. For the years ended December 31, 2020 and 2019, \$1,852,948 and \$252,438, respectively, were disbursed under this program. These disbursements have been reported as a program expense.

### ***Technical Assistance Program (TAP)***

The Bank designated a portion of its retained earnings as authorized by the Board of Directors 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, subject to annual limits. For the years ended December 31, 2020 and 2019, \$522,408 and \$122,478, respectively, was disbursed under this program. These disbursements have been reported as a program expense.

As part of its technical assistance program, the Utility Management Institute (UMI) provides water utility managers and their staff with an opportunity for ongoing professional development aimed at enhancing their managerial and financial skills. For the years ended December 31, 2020 and 2019, \$58,676 and \$139,092, respectively were expended under this program.

Additionally, the Bank administers grant funds for technical assistance provided by other entities as follows:

***Project Development Assistance Program (PDAP)***. The Bank administers grants from EPA, on a reimbursement basis, to assist communities in the development of water and wastewater projects that have been prioritized by EPA to receive BEIF grants. For the years ended December 31, 2020 and 2019, the Bank recognized \$1,100,604 and \$976,694, respectively, in technical assistance expenses, as well as \$981,502 and \$675,438 in grant administrative expenses, respectively. These funds have been recorded as program revenue and expenses in the consolidated statements of income.

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

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## **8. Program Activities (Continued)**

### *Technical Assistance Program (TAP) (Continued)*

**Border 2020: U.S.-Mexico Environmental Program.** The Bank administers grants from EPA, on a reimbursement basis, to support 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 projects and workshops funded under the program. For the years ended December 31, 2020 and 2019, the Bank recognized \$405,572 and \$542,426, respectively, in technical assistance expenses, as well as \$236,561 and \$295,064 in grant administrative expenses, respectively. These funds have been recorded as program revenue and expenses in the consolidated statements of income.

### *COVID-19 Recovery Program (ProRec)*

On May 21, 2020, the Board of Directors approved the ProRec program including an allocation of \$3 million for technical assistance grants (see Note 4). For the year ended December 31, 2020, \$50,000 in grants was disbursed under this program. These disbursements have been reported as a program expense.

## **9. Employee Benefits**

### *401(a) Retirement Plan*

The Bank has a 401(a) Retirement Plan for its employees. This plan provides for employee and nondiscretionary employer contributions. For the years ended December 31, 2020 and 2019, the Bank expended \$1,186,880 and \$1,141,074 respectively, relating to the plan.

### *Post-retirement Health Insurance Plan*

The Bank has a post-retirement health insurance plan for qualifying employees based on number of years of service and age. Qualified retirees may purchase group health insurance coverage at the current employee rate subject to the plan limits. During 2019, an actuarial study of the plan was performed by a certified third party to estimate the prior, current and long-term benefit obligation as of December 31, 2019. The plan is funded by the Bank as benefits are paid. The Bank paid benefits of \$25,845 and \$16,481 for the years ended December 31, 2020 and 2019. As of December 31, 2020, the unfunded portion of the plan totaled \$2,840,674 and is reflected in the consolidated balance sheet as a component of accrued liability and long-term liability of \$61,000 and \$2,779,674, respectively. As of December 31, 2019, the unfunded portion of the plan totaled \$2,518,519 and is reflected in the consolidated balance sheet as a component of accrued liability and long-term liability of \$37,000 and \$2,481,519, respectively.

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

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**9. Employee Benefits (Continued)**

The following table presents the change in benefit obligations as of December 31, 2020 and 2019:

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 2,518,519	\$ -
Prior service expense	-	2,448,000
Current period service expense	267,000	67,000
Interest expense	81,000	20,000
Net benefits paid	(25,845)	(16,481)
Ending balance	\$ 2,840,674	\$ 2,518,519

The change in post-retirement health plan assets as of December 31, 2020 and 2019 is presented in the following table:

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
Beginning balance	\$ -	\$ -
Employer contributions	25,845	16,481
Net benefits paid	(25,845)	(16,481)
Ending balance	\$ -	\$ -

The following table presents post-retirement health plan liabilities as of December 31, 2020 and 2019:

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
Current liabilities	\$ 61,000	\$ 37,000
Non-current liabilities	2,779,674	2,481,519
Total	\$ 2,840,674	\$ 2,518,519

The net periodic benefit cost of the post-retirement health plan for the years ended December 31, 2020 and 2019 is presented in the following table:

<i>Year Ended December 31,</i>	<b>2020</b>	<b>2019</b>
Service expense	\$ 267,000	\$ 67,000
Interest expense	81,000	20,000
	348,000	87,000
Prior service expense	-	2,082,306
Total	\$ 348,000	\$ 2,169,306

Service expenses are reflected in the consolidated statements of income as a component of personnel under operating expenses. Interest expense in relation to post-retirement benefit obligations is reported as a non-operating expense in the consolidated statements of income.

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

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**9. Employee Benefits (Continued)**

The assumptions used to determine the benefit obligations and net periodic post-retirement benefit costs of the plan as of December 31, 2020 and 2019 are presented below.

Discount rate	3.22%
Current healthcare trend rate	6.30%
Ultimate healthcare trend rate	5.00%
Year in which ultimate trend is reached	2028

The following schedule summarizes the estimated cash obligations that are expected to be paid for post-retirement health benefits.

*Year ending December 31,*

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2021	\$	61,000
2022		68,000
2023		82,000
2024		117,000
2025		152,000
2026 - 2030		1,105,000

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**10. Fair Value of Financial Instruments**

Information on how the Bank measures fair value and classifies the levels of fair value inputs is provided in Note 2.

***Cash and Cash Equivalents***

The carrying amounts for cash and cash equivalents approximate their fair value.

***Securities Held-to-Maturity***

Securities classified as held-to-maturity are reported at amortized costs. For these securities, the Bank obtains fair value measurements from an independent pricing service, which are based on prices quoted for the exact or like-kind instrument.

***Securities Available-for-Sale***

Securities classified as available-for-sale are reported at fair value using Level 1 observable inputs. For these securities, the Bank obtains fair value measurements from an independent pricing service, which are based on prices quoted for the exact or like-kind instrument.

# North American Development Bank

## Notes to Consolidated Financial Statements

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### 10. Fair Value of Financial Instruments (Continued)

#### *Loans Receivable and Interest Receivable*

The fair value of loans is estimated using discounted cash flow analyses and interest rates currently being offered for loans made by the Bank with similar terms to borrowers of similar credit quality, net of allowance for loan loss, unamortized loan fees, foreign currency exchange rate adjustment and hedged items. This valuation does not consider liquidity discounts currently being used by certain market participants, since measuring their impact would not be cost-beneficial for the Bank, given the nature of its loan portfolio. The fair value of nonaccrual loans is estimated to equal the aggregate net realizable value of the underlying collateral and guaranties. The carrying amount of accrued interest approximates its fair value.

#### *Hedged Items for Loans*

Hedged items for loans are reported at fair value using Level 3 unobservable inputs. The fair value of these hedged items is estimated by discounting each cash flow stream using the benchmark swap curve of the contractual currency and converting the resulting net present value at the spot exchange rate, as well as using external pricing models and counterparty pricing. Cash flows in Mexican pesos are discounted using the Mexico Benchmark Interbank Deposit Rate (TIIE) 28-day swap curve. Cash flows in U.S. dollars are discounted using the USD Overnight Index Swap (OIS) curve.

#### *Cross-currency Interest Rate Swaps*

Cross-currency interest rate swaps are reported at fair value using Level 2 observable inputs. The fair value of these swaps is estimated based on discounting procedures, whereby each cash flow stream is discounted using the benchmark swap curve of the respective currency and converting the resulting net present value at the spot exchange rate, as well as other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Bank's cross-currency interest rate swaps are all Mexican-peso for U.S.-dollar operations except for six (6) debt issuances in foreign currencies for U.S.-dollar operations. Cash flows in Mexican pesos are discounted using the TIIE 28-day swap curve. Cash flows in Swiss francs (CHF) are discounted using the CHF swap curve. Cash flows in Norwegian krone (NOK) are discounted using the NOK swap curve. Cash flows in U.S. dollars are discounted using the USD OIS curve.

#### *Interest Rate Swaps*

Interest rate swaps are reported at fair value using Level 2 observable inputs. The fair value of these swaps is estimated based on discounting procedures, whereby each cash flow stream is discounted using the USD OIS curve, as well as other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

#### *Options*

Options are reported at fair value using Level 2 observable inputs. The Bank uses options to hedge its foreign exchange exposure related to debt issuance.

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

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**10. Fair Value of Financial Instruments (Continued)**

***Debt and Accrued Interest Payable***

Notes payable and other borrowings are carried at amortized cost. The fair value of the debt is estimated by discounting the cash flow stream using the USD OIS curve. The carrying amount of accrued interest payable approximates its fair value.

***Hedged Items for Notes Payable***

Hedged items for notes payable are reported at fair value using Level 3 unobservable inputs. The fair value of the hedged items is estimated based on discounting procedures, whereby each cash flow stream is discounted using the USD OIS curve for USD issuances, the CHF swap curve for the Swiss franc issuances and the NOK swap curve for the Norwegian krone issuance, as well as on external pricing models and counterparty pricing.

***Long-term post-retirement benefits payable***

Long-term post-retirement benefits payable are reported at fair value. The fair value of these liabilities is estimated based on a third-party actuarial study.

The following table summarizes the carrying amounts and fair value of the Bank's financial instruments.

	December 31, 2020		December 31, 2019	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>Assets</b>				
Cash and cash equivalents	\$ 63,465,192	\$ 63,465,192	\$ 121,597,839	\$ 121,597,839
Held-to-maturity securities	3,473,904	3,491,626	4,038,722	4,048,820
Available-for-sale securities	941,141,640	941,141,640	627,900,720	627,900,720
Loans, net	1,017,898,165	1,089,205,130	1,174,086,370	1,239,969,203
Interest receivable	12,349,446	12,349,446	15,987,916	15,987,916
Cross-currency interest rate swaps	163,521,831	163,521,831	104,332,806	104,332,806
Interest rate swaps	10,798,809	10,798,809	2,919,106	2,919,106
Options	12,253,253	12,253,253	-	-
<b>Liabilities</b>				
Accrued interest payable	9,482,523	9,482,523	17,487,066	17,487,066
Short-term debt, net	5,264,000	5,264,000	255,238,795	255,238,888
Long-term debt, net	1,117,510,817	1,118,044,838	1,050,594,907	1,050,357,445
Long-term post-retirement benefits payable	2,779,674	2,779,674	2,481,519	2,481,519
Cross-currency interest rate swaps	6,953,255	6,953,255	1,000,876	1,000,876
Interest rate swaps	10,718,238	10,718,238	465,236	465,236

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

**10. Fair Value of Financial Instruments (Continued)**

The Bank's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019 are summarized in the following table by the valuation level of the inputs used to measure fair value. Additional information on how the Bank measures and classifies the levels of fair-value inputs is provided in Note 2.

December 31, 2020	Fair Value Measurements Using			Total Fair Value
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Available-for-sale (AFS) securities:				
U.S. government securities	\$ 472,285,209	\$ -	\$ -	\$ 472,285,209
U.S. agency securities	200,462,027	-	-	200,462,027
Corporate debt securities	195,143,257	-	-	195,143,257
Other fixed-income securities	49,411,309	-	-	49,411,309
Mexican government securities (UMS)	15,220,500	-	-	15,220,500
Mortgage-backed securities	8,619,338	-	-	8,619,338
<b>Total AFS securities</b>	<b>941,141,640</b>	<b>-</b>	<b>-</b>	<b>941,141,640</b>
Cross-currency interest rate swaps	-	163,521,831	-	163,521,831
Interest rate swaps	-	10,798,809	-	10,798,809
Options	-	12,253,253	-	12,253,253
Hedged items for loans	-	-	(33,183,106)	(33,183,106)
<b>Total assets at fair value</b>	<b>\$ 941,141,640</b>	<b>\$ 186,573,893</b>	<b>\$ (33,183,106)</b>	<b>\$ 1,094,532,427</b>

<b>Liabilities</b>				
Cross-currency interest rate swaps	\$ -	\$ 6,953,255	\$ -	\$ 6,953,255
Interest rate swaps	-	10,718,238	-	10,718,238
Hedged items for notes payable	-	-	60,574,814	60,574,814
<b>Total liabilities at fair value</b>	<b>\$ -</b>	<b>\$ 17,671,493</b>	<b>\$ 60,574,814</b>	<b>\$ 78,246,307</b>

December 31, 2019	Fair Value Measurements Using			Total Fair Value
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Available-for-sale (AFS) securities:				
U.S. government securities	\$ 432,413,495	\$ -	\$ -	\$ 432,413,495
U.S. agency securities	65,123,423	-	-	65,123,423
Corporate debt securities	90,042,296	-	-	90,042,296
Other fixed-income securities	25,995,149	-	-	25,995,149
Mexican government securities (UMS)	14,326,357	-	-	14,326,357
<b>Total AFS securities</b>	<b>627,900,720</b>	<b>-</b>	<b>-</b>	<b>627,900,720</b>
Cross-currency interest rate swaps	-	104,332,806	-	104,332,806
Interest rate swaps	-	2,919,106	-	2,919,106
Hedged items for loans	-	-	(62,856,585)	(62,856,585)
<b>Total assets at fair value</b>	<b>\$ 627,900,720</b>	<b>\$ 107,251,912</b>	<b>\$ (62,856,585)</b>	<b>\$ 672,296,047</b>
<b>Liabilities</b>				
Cross-currency interest rate swaps	\$ -	\$ 1,000,876	\$ -	\$ 1,000,876
Interest rate swaps	-	465,236	-	465,236
Hedged items for notes payable	-	-	(5,494,297)	(5,494,297)
<b>Total liabilities at fair value</b>	<b>\$ -</b>	<b>\$ 1,466,112</b>	<b>\$ (5,494,297)</b>	<b>\$ (4,028,185)</b>

# North American Development Bank

## Notes to Consolidated Financial Statements

### 10. Fair Value of Financial Instruments (Continued)

The following table summarizes the changes to the financial assets and liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3) during the years ended December 31, 2020 and 2019. Additional information on how the Bank measures fair value is provided in Note 2.

	Fair Value of Level 3 Instruments		
	Cross-currency Interest Rate Swaps	Interest Rate Swaps	Hedged Items
<b>Assets</b>			
Beginning balance, January 1, 2020	\$ -	\$ -	\$ (62,856,585)
Total realized and unrealized gains (losses):			
Included in earnings (expenses)	-	-	21,605,100
Included in other comprehensive income (loss)	-	-	-
Purchases	-	-	-
Settlements	-	-	8,068,379
Transfers in/out of Level 3	-	-	-
<b>Ending balance, December 31, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (33,183,106)</b>
Beginning balance, January 1, 2019	\$ 187,560,968	\$ -	\$ (155,900,516)
Total realized and unrealized gains (losses):			
Included in earnings (expenses)	(69,989,016)	2,919,106	93,043,931
Included in other comprehensive income (loss)	(11,194,142)	-	-
Purchases	-	-	-
Settlements	(2,045,004)	-	-
Transfers in/out of Level 3	(104,332,806)	(2,919,106)	-
<b>Ending balance, December 31, 2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (62,856,585)</b>
<b>Liabilities</b>			
Beginning balance, January 1, 2020	\$ -	\$ -	\$ (5,494,297)
Total realized and unrealized (gains) losses:			
Included in (earnings) expenses	-	-	75,893,191
Included in other comprehensive income	-	-	-
Purchases	-	-	-
Settlements	-	-	(9,824,080)
Transfers in/out of Level 3	-	-	-
<b>Ending balance, December 31, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 60,574,814</b>
Beginning balance, January 1, 2019	\$ -	\$ 7,257,372	\$ (33,204,590)
Total realized and unrealized (gains) losses:			
Included in (earnings) expenses	1,000,876	(6,792,136)	27,710,293
Included in other comprehensive income	-	-	-
Purchases	-	-	-
Settlements	-	-	-
Transfers in/out of Level 3	(1,000,876)	(465,236)	-
<b>Ending balance, December 31, 2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (5,494,297)</b>

The Bank has no nonfinancial assets or liabilities measured at fair value on a recurring or non-recurring basis as of December 31, 2020 and 2019.

# North American Development Bank

## Notes to Consolidated Financial Statements

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### 11. Derivative Financial Instruments

The Bank utilizes cross-currency interest rate swaps to mitigate exposure to fluctuations in foreign currency exchange rates and interest rate swaps to mitigate exposure to fluctuations in interest rates. The fair value of the swaps outstanding as of each reporting period end is included in other assets or other liabilities, depending on whether the Bank is in a favorable or unfavorable position as of the reporting period date.

The Bank enters into cross-currency interest rate swaps that are matched to specific fixed, variable or adjustable rate loans denominated in Mexican pesos that the Bank has entered into directly with the borrower or with COFIDAN. In the latter case, COFIDAN then enters into loans denominated in Mexican pesos under the exact same terms with its borrowers. The Bank has also entered into cross-currency interest rate swaps for its long-term notes payable issued in Swiss francs and Norwegian kroner. These swaps have been designated as hedging instruments because they hedge the risk of fluctuations in cash flows due to changes in foreign currency exchange rates. The swaps are structured so that the notional amounts mature to match the expected maturity of the loans and the notes payable.

The Bank enters into interest rate swaps that are matched to the terms of loans and for a portion of its long-term notes payable. The swaps have been designated as hedging instruments, because they hedge the risk of changes in the fair value of fixed-rate loans and notes payable due to changes in the designated benchmark interest rate. The Bank designated the LIBOR swap rate as the benchmark interest rate. The swaps are structured so that the notional amounts mature to match the expected maturity of the loans and the notes payable.

The Bank uses options to hedge a portion of its long-term notes payable. The options have been designated as hedging instruments and are structured to match the expected maturity of the notes payable.

The Bank may be required to post or receive collateral based on the outstanding fair value of its derivatives. Cash collateral and receivable totaling \$48,020,000 and \$43,950,000 was posted from counterparties to the Bank as of December 31, 2020 and 2019, respectively. No collateral was posted by the Bank as of those same dates.

The notional amounts and estimated fair values of the swaps outstanding at December 31, 2020 and 2019 are presented in the following table. The fair value of these swaps is estimated using internal valuation models with observable market data inputs.

	December 31, 2020		December 31, 2019	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Cross-currency interest rate swaps	\$ 1,165,457,937	\$ 156,568,576	\$ 1,018,903,740	\$ 103,331,930
Interest rate swaps	391,724,886	80,571	951,401,589	2,453,870
Options	175,965,221	12,253,253	-	-

Swaps that are no longer deemed effective because of borrower default on the hedged loans are not included in the preceding table. There were no swaps that were considered ineffective due to borrower default as of December 31, 2020 and 2019.

# North American Development Bank

## Notes to Consolidated Financial Statements

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### 11. Derivative Financial Instruments (Continued)

#### *Gains and Losses on Derivative Cash Flows*

*Cross-currency Interest Rate Swaps and Options* - The effective portion of the gain or loss due to changes in the fair value of cross-currency interest rate swaps and options designated as cash flow hedges is included in the accompanying consolidated statements of comprehensive income, while the ineffective portion is included in income (expense) from net hedging activities. The accumulated gain (loss) is reclassified into earnings as the hedged cash flows are received to offset the foreign currency gains (losses) that would have been recognized in earnings if the Bank had not been a party to the swaps and options. The accumulated net gain (loss) related to the swaps and options included in accumulated other comprehensive income totaled \$9,364,605 and \$7,136,612 at December 31, 2020 and 2019, respectively.

Gains or losses due to changes in the fair value of cross-currency interest rate swaps designated as fair value hedges and ineffective swaps and options are reported in income (expense) from net hedging activities. For the years ended December 31, 2020 and 2019, changes in the aforementioned swaps and options included in the accompanying consolidated statements of income were \$(4,549,849) and \$4,035,953, respectively.

*Interest Rate Swaps* - With regard to the interest rate swaps on outstanding loans and a portion of notes payable, the changes in the fair value of the swaps offset the changes in the fair value of the loans and debt due to changes in the USD OIS curve, while the ineffective portion is included in income (expense) from net hedging activities. For the years ended December 31, 2020 and 2019, changes in the aforementioned swaps included in the accompanying consolidated statements of income were \$0 and \$(725), respectively.

### 12. Credit Risk Associated with Financial Instruments

The Bank is subject to certain credit risk. Financial instruments that potentially subject the Bank to significant concentrations of credit risk consist principally of cash and cash equivalents, investments, loans receivable, options and swaps. The Bank maintains cash and cash equivalents, investments and certain other financial instruments with various major financial institutions. The Bank performs periodic evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any one institution. The Bank evaluates the creditworthiness of each customer on a case-by-case basis and continually monitors the financial stability of each borrower.

### 13. Commitments and Contingencies

In the normal course of business, the Bank has various outstanding commitments, in addition to the loans receivable disclosed in Note 4 and the long-term borrowings disclosed in Note 6. Under agreements with consultants and contractors in effect at December 31, 2020, the Bank has obligations to make payments contingent upon the future performance of the consultants and contractors under the terms of their respective contracts and, therefore, they are not recorded in the financial statements.

#### *Lease Commitments*

The Bank rents office space for its headquarters in San Antonio, Texas, under an operating lease that expires on February 28, 2026. The Bank also rents office space for its Juarez Office under an operating lease that expires on April 3, 2021. Rent expense totaled \$267,059 and \$251,196 for the years ended December 31, 2020 and 2019, respectively. The following schedule summarizes the minimum future expenses for the forgoing leases.

**North American Development Bank**  
**Notes to Consolidated Financial Statements**

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### 13. Commitments and Contingencies (Continued)

#### *Lease Commitments (Continued)*

<i>Year Ending December 31,</i>	
2021	\$ 235,230
2022	229,712
2023	232,493
2024	239,436
2025	240,732
Thereafter	40,121
	<hr/> \$ 1,217,724 <hr/>

#### **COVID - 19**

The COVID-19 outbreak continues to evolve as of the date of this report. As such, the full impact that the COVID-19 outbreak could have on the Bank's financial condition, liquidity, and future results of operations is uncertain. Management is actively monitoring the potential impact on liquidity, operations, suppliers, industry, and workforce.

The length or gravity of the COVID-19 outbreak cannot be estimated, so management cannot approximate its impact on the Bank's results. Management believes the Bank's underwriting standards, low counterparty risk concentration, and that most of the Bank's loans are project finance, with repayment cash flows generated by infrastructure facilities or guaranteed by Mexican Federal government transfers may lower the portfolio's risk of economic deterioration. Moreover, debtors give preference to supranational lenders versus other creditors in their choices of debt repayment, as supported by Fitch Ratings' "Evidence of supranationals' preferred creditor status" (Special Report, March 16, 2020). The Bank's capitalization structure and liquidity are expected to mitigate potential adverse effects to the Bank, as discussed in Note 7.

### 14. Accounting Standards Updates

Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). ASU 2016-02, among other things, require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 does not significantly change lease accounting requirements applicable to lessors; however, certain changes were made to align, where necessary, lessor accounting with the lessee accounting model and ASC Topic 606: Revenue from Contracts with Customers. ASU 2016-02 will be effective for the Bank on January 1, 2022 and will require a transition using a modified retrospective approach for leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements.

Notwithstanding the foregoing, in January 2018, the Financial Accounting Standards Board issued a proposal to provide an additional transition method that would allow entities not to apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Bank is evaluating the potential impact of ASU 2016-02 to its consolidated financial statements and disclosures.

# North American Development Bank

## Notes to Consolidated Financial Statements

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### 14. Accounting Standards Updates (Continued)

ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2019-10 amended the effective date of ASU 2016-13, making it effective for the Bank on January 1, 2023. The Bank is evaluating the potential impact of ASU 2016-13 to its consolidated financial statements.

ASU 2017-12, Derivatives and Hedging (Topic 815) - Targeted Improvements to Accounting for Hedging Activities. ASU 2017-12 amends the hedge accounting recognition and presentation requirements in ASC 815 to improve the transparency and understandability of information conveyed to financial statement users about an entity's risk management activities to better align the entity's financial reporting for hedging relationships with those risk management activities and to reduce the complexity of and simplify the application of hedge accounting. ASU 2017-12 is effective for the Bank on January 1, 2021. The Bank evaluated the impact of implementing ASU 2017-12 and determined that the standard will not have a material effect on its consolidated financial statements.

ASU 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework Changes to the Disclosure Requirements for Defined Benefit Plans, made minor changes to the disclosure requirements for employers that sponsor defined benefit pension and/or other post-retirement benefit plans. The new guidance eliminates requirements for certain disclosures that are no longer considered cost beneficial and requires new ones that the FASB considers pertinent. ASU 2018-14 will be effective for the Bank on January 1, 2022. The Bank is evaluating the potential impact of ASU 2018-14 to its consolidated financial statements.

### 15. Subsequent Events

The Bank has evaluated the events subsequent to December 31, 2020 and through February 12, 2021, the date the consolidated financial statements were available to be issued.

## Supplementary Information

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## North American Development Bank

### Statements of Income by Program

<i>Year Ended December 31, 2020</i>	CAP	TAP	UMI	WCIF	ProRec	BEIF	PDAP	Border 2020	Other	Total
<b>Program Income</b>										
Non-program specific contribution:										
SEMARNAT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,793,750	\$ 1,793,750
U.S. Department of State	-	-	-	-	-	-	-	-	2,902,000	2,902,000
Program specific expense										
reimbursements and grant income:										
EPA	-	-	-	-	-	1,489,776	2,082,106	590,679	-	4,162,561
Other	-	-	-	-	-	-	-	-	971	971
<b>Total Program Income</b>	-	-	-	-	-	1,489,776	2,082,106	590,679	4,696,721	8,859,282
<b>Program Expenses</b>										
Operating expenses										
Grant disbursements	1,852,948	522,408	58,676	95,594	50,000	-	1,100,604	405,572	-	4,085,802
<b>Total Program Expenses</b>	1,852,948	522,408	58,676	95,594	50,000	1,489,776	2,082,106	642,133	971	6,794,612
<b>Net Program Income (Loss)</b>	\$ (1,852,948)	\$ (522,408)	\$ (58,676)	\$ (95,594)	\$ (50,000)	\$ -	\$ -	\$ (51,454)	\$ 4,695,750	\$ 2,064,670
<hr/>										
<i>Year Ended December 31, 2019</i>	CAP	TAP	UMI	WCIF	ProRec	BEIF	PDAP	Border 2020	Other	Total
<b>Program Income</b>										
Non-program specific contribution:										
SEMARNAT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,793,750	\$ 1,793,750
U.S. Department of State	-	-	-	-	-	-	-	-	2,902,000	2,902,000
Program specific expense										
reimbursements and grant income:										
EPA	-	-	-	-	-	997,312	1,652,132	678,664	-	3,328,108
Other	-	-	-	-	-	-	-	-	32,687	32,687
<b>Total Program Income</b>	-	-	-	-	-	997,312	1,652,132	678,664	4,728,437	8,056,545
<b>Program Expenses</b>										
Operating expenses										
Grant disbursements	252,438	122,478	139,092	-	-	-	976,694	542,426	-	2,033,128
<b>Total Program Expenses</b>	252,438	122,478	139,092	-	-	997,312	1,652,132	837,490	32,687	4,033,629
<b>Net Program Income (Loss)</b>	\$ (252,438)	\$ (122,478)	\$ (139,092)	\$ -	\$ -	\$ -	\$ -	\$ (158,826)	\$ 4,695,750	\$ 4,022,916