

# Annual Report

2008/2009

PROVIDING *the* TOOLS



FIRST NATIONS  
FINANCIAL MANAGEMENT BOARD  
LE CONSEIL DE GESTION FINANCIÈRE  
DES PREMIÈRES NATIONS



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## Our Mission

The First Nations Financial Management Board (FNFMB) will provide the tools and guidance that will instill confidence in First Nations' financial management and reporting systems to support economic and community development.





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## Message From *the* Chair



The First Nations Financial Management Board (FNFMB) began operations in August 2007. Not being an agent of the Crown required we build the organization from the ground up. We were required to hire staff, develop policies, procedures and an administrative structure to support the operations of a modern day institution. During this time we also developed a set of financial management tools that are based on recognizable international standards to support the services we now provide to First Nations and the other institutions created under the First Nations Fiscal and Statistical Management Act (FSMA). The body of work undertaken is very extensive and impressive.

*Reporting and responding to membership is a priority for First Nations—there are now 11 First Nations developing their financial administration laws.*

Utilizing these tools will enable First Nations to better respond to membership, and other stakeholder questions about their financial capacity and financial performance. First Nations are making reporting and responding to membership a priority. FNFMB is providing services to support First Nations in their efforts to develop Financial Administration Laws and Financial Management Systems based on standards created by the FNFMB. The FNFMB certification and law approval builds confidence in the accountability and transparency regime as the community moves forward. The ability to respond to other stakeholders such as funders, financial institutions and business partners also supports efforts in developing First Nation economies.

Implementing an accountability and transparency regime based on FNFMB standards will instill confidence in membership and potential partners that the information generated by the financial management system is reliable. The current economic downturn has forced investors and other stakeholders to closely scrutinize business opportunities and measure operating and investment risk differently. An effective financial administration system that produces reliable information will be an important consideration for investors as they look to invest and partner with First Nation communities. It will allow communities to compete for private sector investment.

In order to implement a financial management system that meets FMB standards there are two basic stages:

- » **PRE-CERTIFICATION:** getting ready to be certified includes the process of developing a financial administration law and policies and procedures necessary to implement the law.
- » **CERTIFICATION:** at the request of a Council of a First Nation, a desk review of the law, policies and procedures is carried out, and an on-site operational review is conducted. If these reviews are successful, the FNFMB issues a certificate to the First Nation.

The FNFMB has a variety of tools available to First Nations that are getting ready for certification including a sample financial administration law and guidance materials (templates and sample policies). As one of the institutions established by the FSMA, the FNFMB provides a necessary oversight role in supporting infrastructure financing through securitization of First Nation local revenue streams. As new securitization opportunities become available to First Nations, FNFMB and its tools and standards will support those opportunities.

As other governments are doing during this economic downturn, First Nations can work on the procurement of infrastructure needed for economic and community development. We look forward to the opportunity to meet and work with you.



**Harold Calla**, Chair, FNFMB

## About Us

The FNFMB is a shared governance institution established by the *First Nations Fiscal and Statistical Management Act* (FSMA). The primary focus of the FNFMB is to provide financial management certification services to First Nations that choose to participate in the FSMA borrowing process and pledge their property tax revenue to repay a capital infrastructure loan.

The legislative mandate and services offered by the FNFMB have the potential to provide broader benefits to First Nations and Canada including improved fiscal transfer arrangements and more effective financial reporting.

# Our Mandate

The *First Nations Fiscal and Statistical Management Act* (FSMA) establishes the following mandate for the FNFMB (s. 49 and 55):

- » Assist First Nations in developing the capacity to meet their financial management requirements
- » Assist First Nations in their dealings with other governments respecting financial management, including matters of accountability and shared fiscal responsibility
- » Assist First Nations in the development, implementation and improvement of financial relationships with financial institutions, business partners and other governments, to enable the economic and social development of First Nations
- » Develop and support the application of general credit rating criteria to First Nations
- » Provide review and audit services respecting First Nation financial management
- » Provide assessment and certification services respecting First Nation financial management and financial performance
- » Provide co-management and third party management services; and,
- » Provide advice, policy research and review and evaluative services on the development of fiscal arrangements between First Nations' governments and other governments.
- » Establish standards respecting:
  - The form and content of First Nation financial administration laws (FSMA section 9)
  - Approval of financial administration laws that comply with the standards
  - Certification of First Nation financial management systems and financial performance (FSMA section 50)
  - Financial reporting (FSMA section 14)

# Our Values

We believe that the following core values are essential to guide the manner in which the FNFMB carries out its work:

## Integrity

We will conduct ourselves at all times in a professional and ethical manner.

## Responsive

Consistent with the optional nature of this initiative, the FNFMB will respond to First Nation requests for services. Our services and standards will respond to the interests and priorities of First Nations and other stakeholders in the FSMA initiative. The FNFMB will respond to the cultural and economic diversity of our First Nation clients.

## Relevant

Our services and standards will reflect best practices in financial management that will enable First Nations to access capital at better terms. We will ensure that FNFMB services respect the unique and evolving needs of First Nation governments and communities.





# Our Objectives

The overall objective of the FNFMB is to assist First Nations in increasing economic and infrastructure development on First Nation lands by ensuring that First Nation citizens, investors, the public and governments have confidence in the financial management of First Nation governments and ultimately in their broader systems of comptrollership.

The FNFMB has three business lines. These business lines and the objectives for each business line are presented in the table below:

Business Line	Objectives
Supporting First Nation governments	<ul style="list-style-type: none"> <li>» Increase First Nation access to capital through certification</li> <li>» Strengthen First Nation financial administration by promoting sound, stable and transparent First Nation financial management systems</li> </ul>
Services to other governments	<ul style="list-style-type: none"> <li>» Promote financial relationships between First Nations and other governments and organizations that are appropriate, effective, efficient, and mutually beneficial</li> </ul>
Corporate Services	<ul style="list-style-type: none"> <li>» Provide the administrative resources and facilities to enable the other business lines to operate effectively</li> </ul>

## Our Board of Directors

In October 2006, the Governor In Council appointed Harold Calla as the FNFMB Chair. Mr. Calla is a member of the Squamish Nation where he served two terms on Council. He has also held positions of Director of Finance and Surveyor of Taxes. Mr. Calla is a Certified General Accountant (CGA) and a Certified Aboriginal Financial Manager (CAFM).

The Board of Directors consists of Governor in Council and AFOA Canada appointments. Six members were appointed by Canada: Elona Arnett, Michele Baptiste, Gary Nott, Aditya Jha, Jim Prodger and Barrie Robb. Two members were appointed by AFOA Canada: Donna Morin, Marilyn Osecap (Vice-Chair). The Board acknowledges and thanks Ernie Daniels for providing leadership and direction during his term as an FNFMB Board member and welcomes Michele Baptiste who was appointed to the Board on January 23, 2009.

The Board of Directors brings a wealth of experience and perspectives on First Nations financial management to the FNFMB.



**HAROLD CALLA** - *Chair*

Mr. Harold Calla is a member of the Squamish Nation, located in North Vancouver, B.C. He is a Director of Partnership, B.C., a provincial Crown corporation, and is the Chair of the corporation's Audit and Risk Management Committee. He was appointed by the Governor in Council as a Director of the Canada Mortgage and Housing Corporation and is a member of the corporation's Audit and Risk Management Committee. He is also a Director for Terasen Inc and Terasen Gas Inc. and is the Chair of the Audit Committee. He holds the positions within Squamish Nation of Surveyor of Taxes and Co-Chair of Municipal Services Negotiation Committee.



**MARILYN OSECAP** - *Vice Chair*

Ms. Marilyn Osecap is member of Moosomin First Nation, Saskatchewan. She is the Director of Finance—Operations at the Saskatchewan Indian Gaming Authority. In addition, she has started a Financial Management Company serving the western provinces. She has served as the Controller for the St. Eugene Golf Resort & Casino and as Financial Services Controller and Acting Chief Financial Officer for the Federation of Saskatchewan Indian Nations. As well, she has served as the Finance Manager for the Saskatchewan Indian Equity Foundation, an aboriginal lending institution. She has served as the Chairperson of AFOA Canada from 2004 to 2007. She has a Bachelor of Commerce Degree from the University of Saskatchewan and a Business Administration Diploma from the Saskatchewan Indian Institute of Technologies.

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#### **MICHELE BAPTISTE**

A member of the Algonquin First Nation of Pikwakanagan, Ontario, Ms. Baptiste is a graduate of Centennial College in Marketing Management. She is currently the National Manager of Aboriginal Relations for Scotiabank. In her 13 years with Scotiabank, she has been a National Manager of Aboriginal Employment and Assistant Manager of Employment Equity. In addition, she has provided her expertise as a Marketing Manager for the Toronto Aboriginal Management Board and as an owner and director of a marketing strategy company. Volunteering in Toronto's Aboriginal community for over 18 years, she has held the position of President of the Board, she currently holds the position of Secretary of the Board of Directors of the Native Canadian Centre of Toronto, she is a member of the community council for Aboriginal Legal Services in Toronto and she is a member of the Advisory Board for the Women in Leadership Foundation. Michele is also on the Advisory Committee for the Canadian Aboriginal Music Awards and most recently became a board member for the Dreamcatcher Charitable Fund.



#### **ELONA ARNETT**

Elona Arnett has been working for First Nation organizations since 2000. She has served over three years as a director of the Aboriginal Financial Officers Association of BC (AFOABC) and was a founding member of the Funding Agreement Management Committee, a joint INAC/First Nations working group formed for the purpose of developing flexible federal funding arrangements and management regimes by setting policies and procedures that support First Nations. She also is a member of the AFOABC Technical Advisory Group that consists of the CICA, CGA, INAC and AFOA BC representatives. This work has helped her to promote new accounting standards with accounting regulatory bodies and policy change within the federal government system.



#### **DONNA MORIN**

Donna Morin is from Peter Ballantyne Cree Nation (PBCN). The population of PBCN is 7000 members. PBCN is a multi-community First Nation and is one of the largest First Nations in Saskatchewan. PBCN has seven communities which are located in various areas over the northeastern region of Saskatchewan. She has three children who range in age from 15 to 19. Her children are very interested in their Cree Culture fishing, hunting and spending time in the Northern Saskatchewan. They are also interested in some contemporary activities such as golfing, hockey, and computer games.

Donna's work experience has been mostly working with First Nations. She spent the past 12 years working at Peter Ballantyne Child & Family Service Inc. She gained much experience which is helping out with her current job with the Peter Ballantyne Cree Nation in the administration department. She works with the management team to ensure efficient and effective operations for the Cree Nation.



#### **GARY NOTT**

Mr. Gary Nott is from Vancouver, British Columbia. He was a Senior Partner of Deloitte & Touche, and was the managing Partner for Western Canada, until his retirement from the firm in June, 2006. He has served as a senior auditor and advisor, serving the firm's largest clients. He has held a number of senior Chamber of Commerce offices and is a Fellow of the B.C. Chamber of Commerce. He was a Director of the Canadian Better Business Bureau, and Treasurer, Secretary and Governor of the Chartered Accountants' Education Foundation of British Columbia. He is currently a member of the Institute of Corporate Directors and a member of the Board of Directors of The Deloitte Foundation.



#### **JIM PRODGER**

Mr. Jim Prodger, resides in Truro, Nova Scotia where he owns and operates Prodger and Associates Business Consultants. He is a Certified Aboriginal Financial Manager and has worked with the Millbrook First Nation for 20 years first in a part time advisory capacity and full time since 2001 as the Finance Manager. He has also worked with 3 other First Nations in the past in an advisory role. He is serving his fourth term as treasurer of the First Nations Tax Administrators Association and sits on the Board of Trustees for the First Nations Market Housing Fund.



#### **BARRIE ROBB**

Mr. Barrie Robb resides in Alberta where he is the Vice President for Business Development with the Mackenzie Aboriginal Corporation. He holds Master Degrees in Industrial Relations and Public Administration. He was for eight years the Regional Director General for the department of Indian Affairs in Alberta. He has also worked with the department on negotiations of land claims and self-government. He is a member of the Board of Directors of the Alberta Chamber of Resources, Chair for the aboriginal relations committee of the Alberta Chamber of Resources, and previously a member of the aboriginal affairs committee of Canadian Association of Petroleum Producers.



#### **ADITYA JHA**

Mr. Aditya Jha lives in Ontario. He has co-founded two software companies, Isopia Inc and Osellus Inc. The former company was acquired by Sun Microsystems. He is currently President & CEO of Karma Candy Inc. He had a successful career at Bell Canada as a General Manager, eBusiness and General Manager, Product Marketing. He started his professional career after 4½ years of his Ph.D. studies at the School of Computer & Systems Sciences, Jawaharlal Nehru University, India and worked in various capacities at technology companies in India, Singapore and Canada. He is the Founder & Chairman of POA Educational Foundation, the Chair of UNICEF Canada India HIV/AIDS Campaign, and a Board member for the Ontario Investment & Trade Advisory Council.



# PUTTING Principles into Practice

An effective financial management system demonstrates accountability, transparency, integrity, performance and control.

The FNFMB standards provide guidance on how to put these principles into practice. The table below outlines how the principles relate to various parts of an effective financial management system.

Principle	How Is This Principle Put Into Practice?
Accountability	<ul style="list-style-type: none"> <li>» Roles, responsibilities and commitments of council and senior management defined</li> <li>» Establishment of finance and audit committee</li> <li>» Organization chart with descriptions of roles and responsibilities</li> </ul>
Transparency	<ul style="list-style-type: none"> <li>» Compensation disclosure Conflict of interest disclosure</li> <li>» Financial and Performance reporting</li> <li>» Annual report prepared</li> </ul>
Integrity	<ul style="list-style-type: none"> <li>» Adherence to external standards (e.g. GAAP)</li> <li>» Conduct expectations</li> <li>» Complaints process—whistleblower protection</li> <li>» Audit report</li> </ul>
Performance	<ul style="list-style-type: none"> <li>» Strategic plan, multi-year financial plan, annual budget</li> <li>» Measuring performance               <ul style="list-style-type: none"> <li>• Surplus/deficit</li> <li>• Sustainability, flexibility, vulnerability thresholds</li> <li>• Actual compared to budget</li> </ul> </li> </ul>
Controls	<ul style="list-style-type: none"> <li>» Control Comprehensive policies and procedures</li> <li>» Risk management</li> <li>» Financial management</li> <li>» Records management</li> <li>» Information technology</li> </ul>



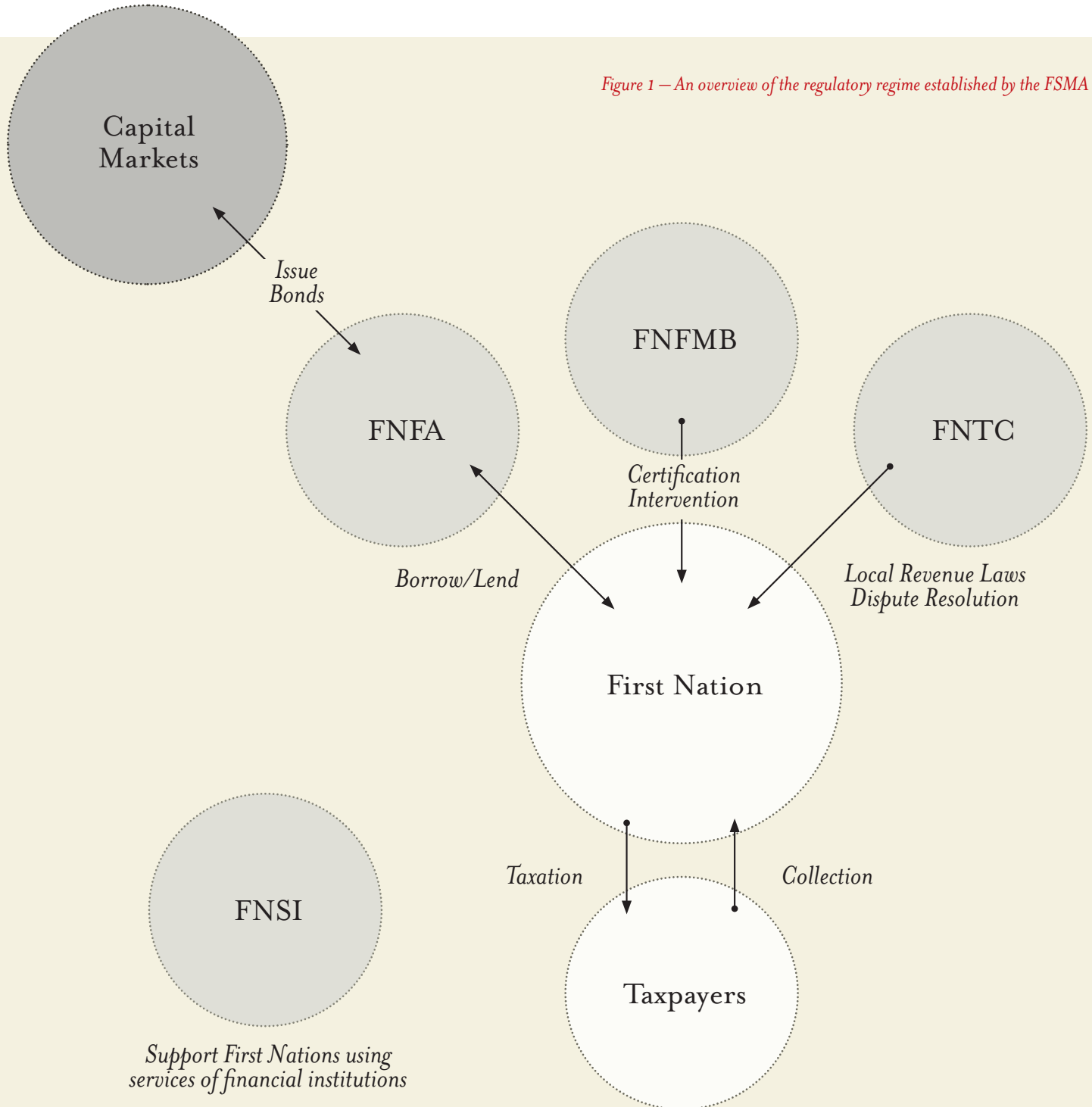
## Our Services

The FNFMB is part of the regulatory regime established by the FSMA that enables First Nations to finance public infrastructure by pledging their property tax revenue to repay the loan. The FSMA is an optional initiative. In order to participate, First Nations must apply to be added to the FSMA schedule. *Figure 1* (opposite page) illustrates the relationship among participating First Nations, taxpayers on their lands, the fiscal institutions established by the FSMA (including the FNFMB), and capital markets.

Lessees/taxpayers on First Nation lands pay property taxes to the First Nation in return for provision of services. The property tax system, including property taxation, assessment, rates, and expenditure laws, is regulated by the First Nations Tax Commission (FNTC).

The FNFMB provides a signal of the health of a First Nation's financial management system and financial performance by approving financial administration laws and certifying the First Nation is operating in compliance with its law. The First Nations Finance Authority (FNFA) will aggregate First Nation borrowing requests and raise money through a bond issue in capital markets. The proceeds of the bond issue will then be distributed to participating First Nations.

Should there be problems with either the property tax system or the repayment of infrastructure loans, the FNFA or FNTC can trigger the FNFMB to intervene on the local revenue account. The First Nations Statistical Institute (FNSI) will work with the fiscal institutions to develop an information system that will support good management practices.



# The FNFMB Role in the FSMA Borrowing Process

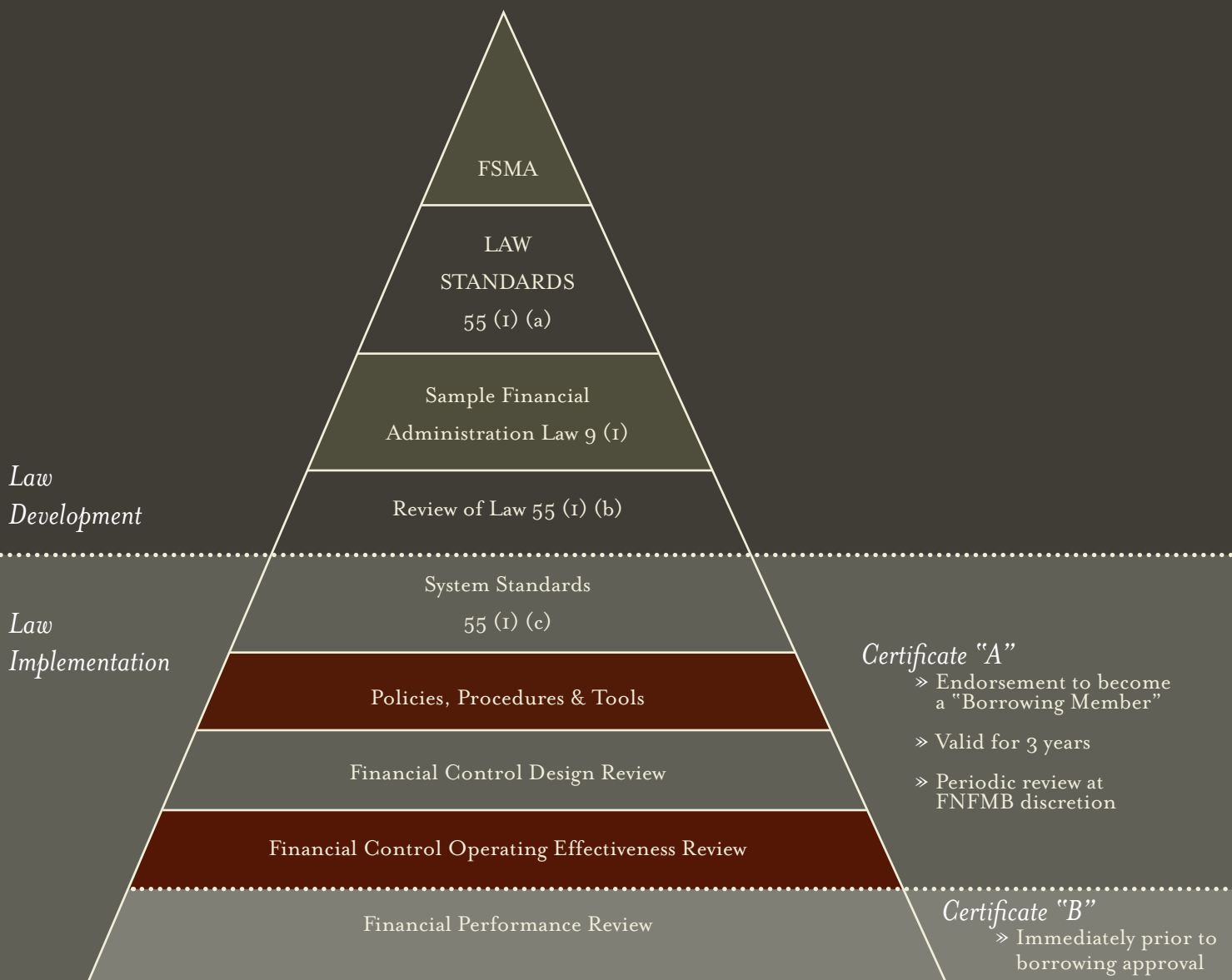


Figure 2 – Financial Administration Law Development and Certification





Figure 2 (opposite) illustrates the relationship between the various standards, approvals and certifications that are offered by the FNFMB. The FSMA provides the authority for the FNFMB to establish standards for financial administration laws. To support First Nations in developing their own laws, the FNFMB has developed a sample that, if adopted by a First Nation, would meet the FNFMB Standards. Once the First Nation has developed and adopted their law, they are able to submit it for review and, if it meets the standards, approval by the FNFMB.

The First Nation must also implement the rules established in their law in order for their financial management system to be certified. The FNFMB has developed Financial Administration System Standards as a guideline for elements that will be examined in the review of a financial management system. Again, the FNFMB has prepared some tools and templates that are intended to support a First Nation in implementing their law.

Once the First Nation has developed the appropriate policies and procedures to implement their law, there are two aspects to a financial management system review: (a) the control design review ensures that the policies and procedures will enable the First Nation to implement the law; and, (b) the operating effectiveness review will test to see if the First Nation is following its law, policies and procedures. If both of these reviews produce positive results, the FNFMB would then be able to provide a "Borrowing Member Qualification Certificate" or "Certificate A".

A separate certificate ("Certificate B") will be required at the time of borrowing. This certificate is intended to evaluate the financial performance of the First Nation's system and to determine if there are any issues that would negatively impact the members of the First Nations Finance Authority borrowing pool should the First Nation participate in a debt issue.

## Getting Ready & Getting Certified

The table below outlines some steps that First Nations can take to have their financial management system certified by the FNFMB. There are a number of First Nations now engaged in the process including Songhees (see interview on following page).

Stage	Description	Who
Pre-certification	» Develop financial administration law and system.	First Nation
	» Upon request or by invitation, analyze a First Nation's law and system to identify any areas that require improvement in order to be ready for certification	FNFMB
Certification	» Initiate certification process	First Nation (BCR)
	» Certification reviewer engaged	FNFMB
	» Desk Review of documentation	Certification reviewer
	» On site review	Certification reviewer
	» Deliver report to FNFMB	Certification reviewer
	» Consider report and form opinion as to whether the First Nation is in compliance with the FNFMB Standards	FNFMB
	» Issue report to First Nation on results of review	FNFMB
	» Issue certificate	FNFMB

## Songhees First Nation

### *Demonstrating Leadership Under the FSMA*

Songhees First Nation is one of the first communities to move forward with the FSMA and FNFMB certification process. Their journey towards greater self sufficiency and independence has been an ongoing process. One of the milestones in their journey took place in 1995, when the Songhees Chief and Council enacted property taxation and property assessment bylaws under Section 83 of the Indian Act. In 2006, the council transitioned their taxation bylaws into the First Nations Fiscal and Statistical Management Act and they became a scheduled First Nation.

In 2008, Songhees Chief and Council expressed interest in becoming one of the first communities to work with the First Nations Financial Management Board (FNFMB) and to work toward obtaining FNFMB certification of their Financial Administration Laws (FAL) and Financial Administration Systems (FAS). Since 2008, Songhees has been making great progress towards achieving FNFMB certification. Two factors that contribute to their success include strong support from Chief and Council, and assembling a project team of highly competent staff and systems advisors.

Recently, we sat down with Songhees Administration staff and their legal counsel to listen to the challenges and successes of their first year with the FNFMB certification process. Here are the highlights:

#### **Q** FNFMB: WHAT LED SONGHEES FIRST NATION TO JOIN THE FSMA SCHEDULE?

Prior to taxation and FSMA, Songhees First Nation was no different than a lot of other First Nations communities in Canada; they were very poor, there was inadequate funding for infrastructure and capital projects, staffing was minimal, and there were deficits in administration. The leadership and management were fed up with waiting for INAC funding and wanted to take a proactive approach to the development and maintenance of their community. Perhaps the most compelling statement came from Songhees' Director of Operations, Jackie Albany when she stated; "we were managing poverty." Clearly, the previous system in place was not working for the Songhees First Nation. This desire for change has centered on developing and formalizing their financial management and organizational structure. With leadership

# Songhees First Nation

## *Demonstrating Leadership Under the FSMA (continued)*

support from Chief Robert Sam (a First Nations Finance Authority board member) and the Songhees council; the Songhees First Nation made the decision to become a Scheduled First Nation and to pursue FNFMB certification.

### **Q FNFMB: HOW HAS THE FAL AND SYSTEM DEVELOPMENT PROCESS BENEFITED SONGHEES' ADMINISTRATION AND GOVERNANCE?**

The response from the Songhees staff on this question was overwhelmingly positive. The documentation process has been of particular benefit to Songhees. Prior to the FNFMB certification process, Songhees relied more on "corporate memory" rather than documenting their policies. The FNFMB certification process has resulted in more documentation of policies and procedures related to management and governance. One spin off benefit of certification is that it forced Songhees to take another look at their HR policy and to clearly define the roles and responsibilities of staff. This has enhanced their administrative capacity and decision-making.

Although there have been many successes to celebrate, there were also many challenges that Songhees has had to deal with and overcome. For example, because Songhees was the first to go through FNFMB certification, they were also the first to try to interpret and adopt the FNFMB standards for financial laws and financial systems. This was a difficult process. Another challenge was that they underestimated



### **SONGHEES FIRST NATION**

#### **PROJECT TEAM (L to R)**


Kathryn Deo – *Legal Advisor*

Frances O'Donovan – *Senior Finance Officer*

Christina Clarke – *Tax Administrator*

Jackie Albany – *Director of Operations*





the scope of work required. The FSMA process required a competent team of staff and systems advisors who worked diligently through several months of effort. The lessons learned from the Songhees First Nation experience can now be used by FNFMB to develop templates and user guides which will make it easier for other First Nations to go through the certification process.

All in all, the FNFMB certification process has enhanced Songhees' administrative capacity and governance. In a letter sent to the FNFMB office dated March 4, 2009, Christina Clarke, Property Tax Administrator of Songhees had this to say about the FNFMB certification process:

“ We’ve discovered many benefits of implementing our financial administrative law. Our practices are being replaced with the strength of law. Documented policies and procedures have streamlined our operations and generate confidence in our members that their interests are protected. The increase in our governance capacity will facilitate community development in all forms. Our success in economic development will benefit our community members but also Canada as we take our rightful place in the national economy.”

Songhees First Nation is demonstrating leadership under the FSMA. They are paving the way for other progressive First Nations in Canada who wish to take further steps toward self-government and self-sustainability through the institutions offered under the FSMA.

# Tools to IMPLEMENT *an effective* financial administration SYSTEM

Since the FNFMB started operations (June 2007), the FNFMB Board of Directors has reviewed, approved, and distributed various standards, capacity development tools, and procedures and policies, that First Nations have begun to use to improve their financial management systems. These include:

## STANDARDS

- » **Financial administration law standards** – elements that should be in a First Nation financial administration;
- » **Financial administration system standards** – elements of a financial management system that the FNFMB will examine to determine whether a First Nation system has the appropriate design controls and is operating effectively;
- » **Local Revenue Account Financial reporting standards (Under Development)**—the FNFMB is developing standards for financial reporting in the Local Revenue Account. These standards are consistent with the Common Government Reporting Model.

## CAPACITY DEVELOPMENT

- » **Sample financial administration law**—a example of a financial administration law that could be used by a First Nation as a starting point;
- » **Policy guidance including tools and templates**—tools that a First Nation can use to implement their financial administration law.
- » **Sample Policies and Procedures (Under Development)**—tools and templates which meet or exceed the Board's standards that a First Nation can use to implement their financial administration system.
- » **"FSMA and the FNFMB Certification Process"**—a course entitled "FSMA and the FNFMB Certification Process" was developed in fiscal year 2008/2009. The FNFMB will make the course available to trainers and educational institutions so that more training on this topic is available for First Nations. In addition, the FNFMB was able to provide some financial support to participating First Nations to offset some of their "certification costs". Examples of eligible costs included: legal costs for development of a financial administration law, consulting costs for developing new financial policies and procedures, and training costs to build capacity of staff.

## PROCEDURES & POLICIES

- » **Law Approval and System Certification Procedures**—the procedures defining the roles of a First Nation and the FNFMB during the approval of a financial administration law or the certification of a financial administration system.
- » **Intervention Policy**—the policy to be used by the FNFMB in protecting the integrity of the property taxation system and the borrowing members of the First Nation Finance Authority.
- » **Financial Administration System Review Methodology (Under Development)**—the policy to be used by the FNFMB when conducting a review of a First Nation's financial administration system.

Materials have been distributed to participating First Nations and are now available on the FNFMB website ([www.fnfmb.com](http://www.fnfmb.com)). The tools will assist First Nations in developing the capacity to meet their financial management requirements.



# Supporting First Nation Governments

Services to borrowing and non-borrowing First Nations are provided through the *Supporting First Nation Governments* business line. This includes: financial administration law review, certification, capacity development and co or third party management as required or requested. First Nations participating in the FSMA borrowing process are required to make use of these services. These services, with possible modifications, will also be made to non-borrowing First Nations.

*What would motivate a First Nation to seek FNFMB services?*

	No. of First Nations (estimate)	Why Seek FNFMB Services?
FSMA Schedule	45	» Certification required to borrow
Section 83 Laws	Over 100	» Confidence in management of property tax revenue
<i>First Nations GST Act</i>	38	» Confidence in financial management of FNGST revenue
<i>First Nations Land Management Act</i>	57	» Confidence in financial management of revenue generated from lands under authority of a First Nations land code
<i>First Nations Oil and Gas Monies Management Act</i>	No First Nations have ratified their codes yet.	» Financial code for oil and gas moneys required
In Canada	Over 600	» Improved fiscal transfer arrangements with Canada



## SUPPORTING FIRST NATION GOVERNMENTS

## Results for 2008/2009

The supporting First Nation Governments business line has been active developing standards, sample laws, tools and templates that will support the delivery of key services to First Nations including law approval and certification. The FNFMB has continued to work with participating First Nations to generate feedback on these documents. The case study work is now complete and the FNFMB is working with First Nations to develop 'pre-certification' work plans and build capacity in particular areas of financial management system that are not currently at the standards set by the FNFMB.

*Assessment of 2008/2009 Results: Supporting First Nation Governments*

Performance Measures	Achieved
Twenty (20) presentations	» Twenty nine (29)
Five (5) First Nations in FAL development	» Eleven (11) First Nations in FAL development; Alexander, Chehalis, Chippewas of Kettle and Stoney Point (CKSP), Kitselas, Skeetchestn, Sliammon, Songhees, Tobacco Plains, Tsawwassen, Tsawout, Tzeachten
Two (2) First Nation financial administration laws reviewed against FNFMB Financial Administration Law Standards	» FNFMB is in receipt of seven (7) First Nation financial administration laws: Alexander, Chehalis, CKSP, Sliammon, Songhees, Tsawwassen, Tsawout. • Four (4) FALs have been reviewed against the FNFMB standards; Alexander, CKSP, Songhees, Tsawwassen • One (1) FAL is near completion; Tsawout • One (1) FAL is under development—Chehalis
Two (2) First Nation financial management systems reviewed against FNFMB Financial Administration System Standards	» Four (4) First Nation financial administration systems compared to FNFMB Financial Administration System Standards; CKSP, Songhees, Tsawwassen, Tsawout » Two (2) First Nations in process; » Chehalis, Tobacco Plains.

## SUPPORTING FIRST NATION GOVERNMENTS

Results for 2008/2009 *continued*

Performance Measures	Achieved
Course Curriculum Developed	<p>» A total of thirteen (13) course modules were developed for a course entitled "FSMA and the FNFMB Certification Process"</p> <p>» In February, 2009, two focus groups were held at the AFOA national conference in Calgary. These focus groups were designed to obtain feedback on the FNFMB course from both potential students and educational institutions.</p> <p>Course modules include:</p> <ol style="list-style-type: none"> <li>1. FSMA Overview</li> <li>2. Four institutes and their toles</li> <li>3. First Nations Property Taxation</li> <li>4. FNFA Borrowing Pool</li> <li>5. FNFMB and its Role</li> <li>6. Local Revenue Account</li> <li>7. Financial Administration Law</li> <li>8. FNFMB Certification and Intervention</li> <li>9. Financial Administration System</li> <li>10. Lifecycle costing and Tangible Capital Assets</li> <li>11. Budgeting and Multi-year planning</li> <li>12. Audit and Finance Committee</li> <li>13. Pulling it all together</li> </ol> <p>In 2009/10, the FNFMB will negotiate agreements with various educational organizations to deliver the course to scheduled First Nations.</p>

## SERVICES to Other Governments & Organizations

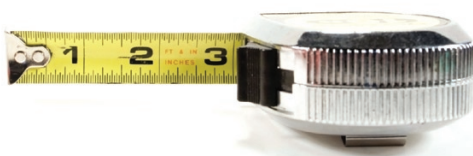
The FNFMB will also work with other governments and organizations through the Supporting other Governments and Organizations business line. This could include working to support a debenture issue with other fiscal institutions established by the FSMA, working with the federal government to improve the accountability framework for First Nations, working with other accounting standard organizations such as the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) or working with financial institutions regarding the general credit rating criteria of First Nations.

### *Assessment of 2008/2009 Results: Supporting First Nation Governments*

Other Government or Organization	Relevance to FNFMB
First Nations Tax Commission	» Interdependent policy related to certification and intervention
First Nations Finance Authority	» Interdependent policy related to certification and intervention
First Nations Statistical Institute	» Financial data may be inputs for FNSI community profiles that are utilized by rating agencies in credit analysis
Aboriginal Financial Officers Association	» Partnered approach to capacity development
Lands Advisory Board	» Framework Agreement on Land Management includes financial administration requirements
National Centre for First Nations Governance	» FNFMB standards include sections about organizational structure, roles and responsibilities which are relevant to governance structure

## SERVICES to Other Governments & Organizations *continued*

Other Government or Organization	Relevance to FNFMB
Public Sector Accounting Board of the Canadian Institute of Chartered Accountants	» FNFMB Standards should be consistent with government accounting standards set out by PSAB
Indian and Northern Affairs Canada	» First Nation reporting requirements » INAC co and third party management impacts FNFMB intervention policy and procedures
Finance Canada	» Interests in improved fiscal framework and confidence in management of tax collection agreements
Financial Institutions / Capital Markets	» Regulatory regime established by fiscal institutions will address interests of lenders/investors in First Nation bonds



## SERVICES TO OTHER GOVERNMENTS &amp; ORGANIZATIONS

## Results for 2008/2009

The Services to Other Governments and Organizations business line has been active working with other fiscal institutions to seek feedback on FNFMB standards and intervention policy. In addition, research is currently underway to inform the development of financial performance standards.

*Assessment of 2008/2009 Results: Services to Other Governments and Organizations*

Performance Measure	Progress to Date	Comment
Research project work plans	» Financial Performance Research work plan reviewed and approved by Board of Directors in June 2008	» Draft report entitled "Certifying Financial Performance of First Nation Governments" was completed and submitted to FNFMB.
Research project on PSAB Reporting Requirements and Emerging Accounting Standards	» Engaged consultant to prepare sample statements for the Local Revenue Account and the Common Government Reporting Model	» This work is informing the development of "Local Revenue Account Financial Reporting Standards" and a section of the Guidebook.



# Financial Statements

*for the year ended March 31, 2009*



FIRST NATIONS  
FINANCIAL MANAGEMENT BOARD  
LE CONSEIL DE GESTION FINANCIÈRE  
DES PREMIÈRES NATIONS

# AUDITOR'S REPORT

## *to the Board of the First Nations Financial Management Board*

We have audited the Statement of Financial Position of the First Nations Financial Management Board for the year ended March 31, 2009 and the Statements of Operations, Changes in Net Assets and Cash Flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the First Nations Financial Management Board as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

  
Chartered Accountants  
VANCOUVER, BRITISH COLUMBIA  
May 19, 2009

## FIRST NATIONS FINANCIAL MANAGEMENT BOARD

## Statement of Financial Position

MARCH 31	2009	2008
<b>ASSETS</b>		
<b>CURRENT</b>		
CASH	31,225	159,826
TEMPORARY INVESTMENT (Note 1)	157,786	513,081
ACCOUNTS RECEIVABLE (Note 2)	431,711	108,101
PREPAID EXPENSES	8,342	15,246
	<b>629,064</b>	<b>796,254</b>
SECURITY DEPOSITS (Note 3)	54,005	54,005
PROPERTY AND EQUIPMENT (Note 4)	263,342	182,785
	<b>946,411</b>	<b>1,033,044</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
<b>CURRENT</b>		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	569,856	346,549
	<b>569,856</b>	<b>346,549</b>
<b>NET ASSETS</b>		
INVESTED IN PROPERTY AND EQUIPMENT	263,342	182,785
INTERNALLY RESTRICTED	199,972	–
UNRESTRICTED (DEFICIENCY)	(86,759)	503,710
	376,555	686,495
	<b>946,411</b>	<b>1,033,044</b>

APPROVED ON BEHALF OF THE BOARD:



DIRECTOR



DIRECTOR

## FIRST NATIONS FINANCIAL MANAGEMENT BOARD

## Statement of Operations

FOR THE PERIOD ENDED MARCH 31

2009

2008  
from August 29

<b>REVENUE</b>		
INAC FUNDING	3,660,000	2,431,327
INTEREST INCOME	8,407	9,995
RENTAL FEES	450	350
	<b>3,668,857</b>	<b>2,441,672</b>
<b>EXPENSES</b>		
AMORTIZATION	46,169	39,930
FINANCIAL ADMINISTRATIVE LAW AND SYSTEMS DEVELOPMENT (Note 9)	135,028	–
OPERATIONS	2,148,650	1,337,536
SALARIES AND BENEFITS	1,312,748	299,924
START-UP	–	121,899
TRAVEL	336,202	144,688
	<b>3,978,797</b>	<b>1,943,977</b>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE PERIOD	<b>(309,940)</b>	<b>497,695</b>

## FIRST NATIONS FINANCIAL MANAGEMENT BOARD

## Statement of Changes in Net Assets

FOR THE PERIOD ENDED MARCH 31

	INVESTED IN PROPERTY AND EQUIPMENT	INTERNALLY RESTRICTED	UNRESTRICTED	2009	2008 from August 29
BALANCE, BEGINNING OF PERIOD	182,785	–	503,710	686,495	–
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(46,169)	(135,028)	(128,743)	(309,940)	497,695
CONTRIBUTION FROM BRITISH COLUMBIA FIRST NATIONS SUMMIT (Note 7)	–	–	–	–	188,800
PURCHASE OF EQUIPMENT	126,726	–	(126,726)	–	–
TRANSFERS	–	335,000	(335,000)	–	–
BALANCE, END OF PERIOD	<b>263,342</b>	<b>199,972</b>	<b>(86,759)</b>	<b>376,555</b>	<b>686,495</b>

## FIRST NATIONS FINANCIAL MANAGEMENT BOARD

*Statement of Cash Flows*

FOR THE PERIOD ENDED MARCH 31

2009

2008  
from August 29

<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE PERIOD	(309,940)	497,695
ITEM NOT INVOLVING CASH		
AMORTIZATION OF PROPERTY AND EQUIPMENT	46,169	39,930
	<b>(263,771)</b>	<b>537,625</b>
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
ACCOUNTS RECEIVABLE	(323,610)	(91,783)
PREPAID EXPENSES	6,904	(15,246)
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	223,307	346,549
	<b>(357,170)</b>	<b>777,145</b>
<b>INVESTING ACTIVITIES</b>		
PURCHASE OF TEMPORARY INVESTMENT	(157,786)	(513,081)
REDEMPTION OF TEMPORARY INVESTMENT	513,081	–
PURCHASE OF EQUIPMENT	(126,726)	(104,238)
	<b>228,569</b>	<b>(617,319)</b>
<b>INCREASE (DECREASE) IN CASH DURING THE PERIOD</b>	<b>(128,601)</b>	<b>159,826</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>159,826</b>	<b>–</b>
<b>CASH, END OF PERIOD</b>	<b>31,225</b>	<b>159,826</b>



## FIRST NATIONS FINANCIAL MANAGEMENT BOARD

# Summary of Significant Accounting Policies

## GENERAL

The First Nations Financial Management Board (“FNFMB” or the “Board”) is a statutory body established by Federal Statute that is equivalent to a corporation without share capital and has the capacity, rights, powers and privileges of a natural person.

FNFMB is one of the four institutions created through Bill C20 the First Nations Fiscal and Statistical Management Act, 2005 (the “ACT”) which went into effect April 1, 2006. The Act established a framework to provide First Nation governments with the tools for modern fiscal management, improving the investment climate and promoting economic growth. The FNFMB helps First Nations strengthen their financial management systems and provides independent financial management assessment services.

The duly appointed FNFMB signed its first comprehensive funding arrangement with the Minister of Indian Affairs and Northern Development for activities commencing August 29, 2007. Prior to this time, the British Columbia First Nations Summit managed the activities related to the development of the Act and related policies. The Summit provided a contribution of the equipment and other assets to the FNFMB upon the commencement of its operations as outlined in Note 7.

The Board prepares its financial statements in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

## PROPERTY AND EQUIPMENT

Additions to property and equipment are recorded at cost. The Board amortizes its property and equipment over the estimated useful life of each asset on a straight line basis over the following number of years:

- » Computer equipment – 5 years
- » Leasehold improvements – 5 years
- » Office furniture and fixtures – 10 years

When property and equipment no longer contribute to the Board’s ability to provide services, its carrying value is written down to its residual value. When property and equipment are disposed of no amortization is recorded.

## REVENUE RECOGNITION

Contributions from Indian and Northern Affairs Canada (“INAC”) are recorded in the year the contribution becomes receivable under the terms of the applicable funding agreement.

Rents and interest are recognized as revenue in the period earned and when collection is reasonably assured.

**FIRST NATIONS FINANCIAL MANAGEMENT BOARD**

# Summary of Significant Accounting Policies

**INTERNALLY RESTRICTED FUNDS**

FNFMB maintains an internal restricted fund for its Financial Administrative Law and Systems Development initiative, the nature of which are described in Note 9. The fund is restricted for purposes to be determined on an annual basis by the Board of Directors.

**FINANCIAL INSTRUMENTS**

The Board classifies all financial instruments as held for trading, loans and receivables or other financial liabilities. Loans and receivables (accounts receivable) and other financial liabilities (accounts payable and accrued liabilities) are initially recorded at fair value and subsequently adjusted using the effective interest rate method. Held for trading instruments, cash and temporary investments are measured at fair value with unrealized gains and losses recognized in the Statement of Operations.

**USE OF ESTIMATES**

In conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that could affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Significant items subject to such estimates and assumptions include the completeness of accounts payable and accrued liabilities. Actual results could differ from those estimates and may impact the results of future periods.

**NEW ACCOUNTING PRONOUNCEMENTS**

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Board are as follows:

**CICA Handbook Section 1000, Financial Statement Concepts**

Section 1000 has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de emphasizes the matching principle. The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, FNFMB will adopt the new standards for its fiscal year beginning January 1, 2009. FNFMB does not expect that the adoption of this standard will impact its financial reporting.

**Cash Flow Statements**

Section 1540 was amended to include Not-for-Profit organizations within its scope. This standard is effective for FNFMB's reporting period beginning April 1, 2009. FNFMB does not expect that this standard will impact its financial reporting significantly.

## FIRST NATIONS FINANCIAL MANAGEMENT BOARD

# Summary of Significant Accounting Policies

## Financial Statement Presentation by Not-for-Profit Organizations

Section 4400 of the CICA Handbook has been amended to:

- » eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets; and
- » require that revenues and expenses must be recognized and presented on a gross basis when a Not-for-Profit organization is acting as a principal in transactions.

This standard is effective for FNFMB's reporting period beginning April 1, 2009. FNFMB does not expect that this standard will impact its financial reporting significantly.

## Disclosure of Related Party Transactions by Not-for-Profit Organizations

Section 4460 of the CICA Handbook has been amended to be consistent with the related party accounting rules for private and public enterprises. This standard is effective for FNFMB's reporting period beginning April 1, 2009. FNFMB does not expect that this standard will impact its financial reporting significantly.

## Disclosure of Allocated Expenses by Not-for-Profit Organizations

Section 4470 of the CICA Handbook establishes disclosure standards for Not-for-Profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. Particular emphasis is made to allocation of fundraising and general administration expenses.

This standard is effective for FNFMB's reporting period beginning April 1, 2009. FNFMB does not expect that this standard will impact its financial reporting significantly.

## FIRST NATIONS FINANCIAL MANAGEMENT BOARD

# Notes of Financial Statements

### 1. TEMPORARY INVESTMENT

The temporary investment in the current year is a term deposit earning interest at 2.4% per annum and has a fixed maturity date of October 20, 2009.

### 2. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	2009	2008
FUNDING RECEIVABLE	366,450	60,778
GST RECOVERABLE	63,572	39,787
INTEREST RECEIVABLE	1,689	7,536
	<b>431,711</b>	<b>108,101</b>

### 3. SECURITY DEPOSIT

The security deposit of \$54,005 (2008 \$54,005) is held by Maple Leaf Property Management in relation to Board's leased premises.

### 4. PROPERTY AND EQUIPMENT

	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE 2009	NET BOOK VALUE 2008
COMPUTER EQUIPMENT	102,169	32,818	69,351	72,907
LEASEHOLD IMPROVEMENTS	135,480	28,932	106,548	26,910
OFFICE FURNITURE AND FIXTURES	109,982	22,539	87,443	82,968
	<b>347,631</b>	<b>84,289</b>	<b>263,342</b>	<b>182,785</b>

### 5. COMMITMENT

The Board leases its office premises under a lease agreement expiring at various dates during the 2011 and 2012 fiscal years. The Board is obligated to make the following lease payments under its office lease agreement in each of the fiscal years ending March 31:

2010	94,820
2011	94,820
2012	7,902
	<b>197,542</b>

### 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments at March 31, 2009 and 2008 approximate their values and were estimated based on relevant market information and the nature and terms of financial instruments. Management is not aware of any factors which would significantly affect the estimated fair market amounts; however, such amounts have not been comprehensively revalued for purposes of these financial statements.

### Interest rate risk

The Board's temporary investment bears interest at fixed rates. The temporary investment is therefore subject to interest rate price risk as fluctuations in market rates of interest may increase or decrease their fair value.

## 7. CONTRIBUTION OF NET ASSETS

The assets of the British Columbia First Nations Summit were transferred to the Board resulting in a contribution of \$188,800. The contribution of these assets was recorded at the carrying amounts of the assets transferred which approximated fair market value.

ACCOUNTS RECEIVABLE	16,318
SECURITY DEPOSIT	54,005
NET BOOK VALUE OF PROPERTY AND EQUIPMENT	118,477
	<b>188,800</b>

## 8. ECONOMIC DEPENDENCE

Operations of FNFMB are dependent on continued funding from the Ministry of Indian Affairs and Northern Development to carry out its programs.

## 9. INTERNALLY RESTRICTED CLIENT SERVICE DELIVERY EXPENDITURES

During the year, the Board approved \$335,000 spending towards its Financial Administrative Law and Systems Development initiative of which \$199,972 remains unutilized but internally restricted for this purpose. The purpose of this initiative is to review any financial administrative law and financial administrative systems of the approved member nations and compare to those of FNFMB. Where discrepancies are identified in the standards held by the member nations, the costs involved to improve those systems are eligible to be paid with the approved funding.

## 10. CAPITAL DISCLOSURES

Effective April 1, 2008, the Board adopted the new guidelines of CICA Handbook Section 1535, Capital Disclosures, which requires organizations to disclose their objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, and whether they have complied with externally imposed capital requirements and, if not in compliance, the consequences of such non compliance.

FNFMB's objectives when managing capital are to ensure that sufficient resources are available to fund the ongoing operations in improving financial management systems and independent financial management assessment services as well as safeguard its ability to continue to provide benefits to its stakeholders. FNFMB considers its capital to be its net assets.

FNFMB reviews its capital management approach on an ongoing basis, and believes that this approach, given the relative size of FNFMB, is reasonable. There were no changes to FNFMB's approach to capital management during the year ended March 31, 2009. FNFMB is not subject to any externally imposed capital requirements.

The year end deficiency of unrestricted net assets is planned to be made up from future INAC funding. Should it become necessary to do so, FNFMB can release some of its internally restricted funds (Note 9) for general operations.





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