



FIRST NATIONS  
FINANCIAL MANAGEMENT BOARD  

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LE CONSEIL DE GESTION FINANCIÈRE  
DES PREMIÈRES NATIONS

# ANNUAL REPORT

2009/10

BUILDING  
A STRONG  
FOUNDATION



# FMB CERTIFICATION PROCESS *for* FIRST NATIONS



## FMB CERTIFICATION SERVICES *What do these steps mean?*

### FINANCIAL ADMINISTRATION LAW

- » the first step
- » the rules for your system
- » organization (*i.e. roles & responsibilities*)
- » financial management (*i.e. financial statements produced regularly*)
- » capital projects (*i.e. tangible capital assets reporting*)

### FINANCIAL MANAGEMENT SYSTEM CERTIFICATE

- » is your system operating according to your rules?
- » are finance and audit committee meetings held?
- » are financial statements produced?
- » is schedule of tangible capital assets and depreciation kept?
- » typically requires one year operations in system

### FINANCIAL PERFORMANCE CERTIFICATE

- » what are your financial ratios that measure sustainability, flexibility, vulnerability?
- » has the correct information from the financial statements been used to calculate ratios?
- » have the ratios been calculated properly?
- » can your community afford to take on debt?

\* Must make commitment to implement financial management system

figure #1

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# MESSAGE *from the* CHAIR



During the past year, there has been continued demand from First Nations to have their financial management systems certified by the First Nations Financial Management Board (FMB). Communities of various size and circumstance have sought out FMB services. Some communities are taxing lessees on their lands; some are looking to pledge that property tax revenue towards repayment of an infrastructure loan from the First Nations Finance Authority, others are looking to use other revenues to repay a loan from the First Nations Finance Authority, while some simply want an improved financial administration system. Regardless of the motivation, a financial management system that operates effectively and is certified by the FMB is a strong foundation for First Nations to achieve their objectives.

The FMB has been working collaboratively with other fiscal institutions to respond to the demand for improved access to capital while still sending a clear signal about the health of First Nation financial management systems and financial performance. An approach is being developed that will enable a financial performance certificate to be offered in advance of a financial management system certificate as long as a work plan is in place that provides a commitment to achieve the financial management system certificate in a timely fashion. In addition, the FMB has been examining how it could play a role in a process to securitize other revenues.

Work during the past year has also considered some of the other legislative purposes of the FMB, including improving the fiscal relationships of First Nations to other governments. The FMB has been working with Canada to investigate how an FMB certificate could be used

to assess the type of fiscal transfer mechanism that would work best for a particular First Nation.

A First Nation member deserves to know that the affairs of their Nation are conducted using proper processes, controls, accountability and transparency. Implementing a financial management system that meets FMB standards will give membership confidence to know that the affairs of their Nation are being conducted in such a way. If your community shares these objectives, then a certified financial management system will provide a strong foundation from which to achieve them. We look forward to working with you!

*“A First Nation member deserves to know that the affairs of their Nation are conducted using proper processes, controls, accountability and transparency.”*

  
Harold G. Calla, Chair

# MESSAGE *from the* CEO

In 2009 we continued to increase the depth and quality of financial management tools available to First Nations. Examples include the development of a self-assessment tool to assist First Nations in determining financial management resources and capacity, an introductory course designed by the FMB explaining its role within the *First Nations Fiscal and Statistical Management Act* (FSMA) initiative, and a complete financial management system handbook of 32 sample policies and procedures. These tools reflect best practices in financial management that will enable First Nations to exercise greater control over their economic future and provide a path to economic development and access to capital on terms similar to other levels of government.

“The FMB’s development of standards recognizes the changing accountability environment for First Nations.”



The FMB’s development of standards recognizes the changing accountability environment for First Nations. Our Financial Administration Law and Financial System Standards respond to the evolution of First Nations financial reporting brought on by the common government reporting model. Further, with other self-government initiatives such as the *First Nations Land Management Act*, *First Nations Commercial and Industrial Development Act*, and *First Nations Oil and Gas Moneys Management Act*, there comes a new era of financial management requirements, new accountability relationships, new revenue streams, and new financial stewardship of assets. The FMB body of work will support First Nations in developing the capacity to meet any of these financial management requirements.

The FMB standard and certification process parallels COSO and ISO 9000 frameworks such that all three frameworks identify that effective financial administration systems and controls must be present and functioning in a consistent manner across any organization, however FMB standards specifically respond to characteristics of First Nations.

In closing, I would like to thank the staff and our Board of Directors for their hard work and commitment to deliver value to our First Nation clients, as well as for their dedication to our culture of teamwork and our vision in moving the FMB forward. As we enter 2010, I’m proud of how far we have come and excited about the opportunities ahead.

Sincerely,

A handwritten signature in black ink that reads "W. Schneider". The signature is stylized and fluid.

Walter Schneider, CEO

# FIRST NATIONS FINANCIAL MANAGEMENT BOARD AT A GLANCE

## OUR MISSION

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

## WHAT DOES THE FMB DO?

The primary focus of the FMB is to:

- » Establish financial administration law standards
- » Establish financial management system standards
- » Establish financial performance standards
- » Upon request, certify First Nation financial management systems and financial performance
- » Instill confidence in the stability, accountability, transparency and financial stewardship of First Nation governments through the certification of their financial management systems
- » Provide support to First Nations in developing the capacity to meet their financial management requirements and aspirations

## WHY IS THE FMB NEEDED?

- » Enhance the ability for First Nations to respond to their accountability requirements
- » Assist First Nations in the development of their financial reporting
- » Facilitate and support lower cost and improved terms of borrowing options for First Nations, as they develop their fiscal capacity
- » Assist First Nations in improving their fiscal relationship with other governments

## WHAT IS CERTIFICATION?

- » Recognition from an independent 3rd party for the achievement of an established standard of financial management or performance.
- » Achieved by a First Nation following the satisfactory review of their financial management system or financial performance by the FMB.

## LEGAL AUTHORITY

The FMB is a shared governance institution established by the *First Nation Fiscal and Statistical Management Act* (FSMA)







*“Members that wish to see the responsible and transparent financial management of their First Nation should support their First Nation’s pursuit of FMB certification.”*





# FREQUENTLY ASKED QUESTIONS

## Q. WHY WOULD A FIRST NATION WANT TO GET CERTIFIED BY THE FMB?

FMB certification provides recognition of achieving financial management or financial performance of an established level of quality from an independent third party. In addition to enabling access to long-term capital financing through the FSMA initiative, certification provides a signal to membership and other stakeholders that the First Nation has satisfied the prevailing standards for First Nations governments for strong financial management or performance.

## Q. WHY WOULD MEMBERSHIP OF A FIRST NATION SUPPORT ITS PURSUIT OF FMB CERTIFICATION?

Members that wish to see the responsible and transparent financial management of their First Nation should support their First Nation's pursuit of FMB certification. Financial management certification from the FMB requires a substantial amount of community consultation and reporting, which provides the opportunity for members to be well informed as to the financial affairs of their First Nation. Furthermore, FMB certification intends to facilitate economic development and private investment on First Nations lands, which should provide opportunities for employment for members and economic betterment for the First Nation as a whole.

## Q. HOW LONG DOES THE FMB CERTIFICATION PROCESS TAKE?

The timeframe for FMB certification largely depends on the First Nation's urgency in developing a financial administration law compliant with FMB standards, and its ability to satisfy either the financial management system standards or the financial performance standards. A First Nation can achieve certification as soon as the FMB approves its financial administration law and it can demonstrate financial performance satisfactory to the FMB Financial Performance Standards. Achieving Financial Management System certification will at minimum require a full reporting cycle (one year) of implementing a financial administration law, as the First Nation must provide evidence of a track record of financial administration compliant with their law. See Figure 1 (*inside front cover*) for a visual representation of the certification process.

## Q. HOW DOES THE FMB DEVELOP ITS STANDARDS, AND HOW ARE THEY APPLICABLE TO FIRST NATIONS?

The FMB has developed its financial management standards through consideration of Generally Acceptable Accounting Principles (GAAP), the Common Government Reporting Model, internal control frameworks such as that developed by COSO, best practices from industry, government and First Nations, as well as consultations with First Nations elected leadership and administrative staff. Consistent with our core values, the FMB is committed to ensuring that its standards are relevant to today's best practices in financial management for First Nations, and responsive to shifts in the unique and evolving needs of First Nation governments.



# OUR BOARD *of* DIRECTORS

The FMB is appointed by the Governor in Council and AFOA Canada. The Board acknowledges and thanks Elona Arnett for providing leadership and direction during her term as an FMB board member and welcomes Romeo Crow Chief who was appointed in 2010.



**HAROLD CALLA** is a member of the Squamish Nation, located in North Vancouver, B.C. He holds the positions within Squamish Nation as Surveyor of Taxes and Co-Chair of Municipal Services Negotiation 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 the Nicola Valley Institute of Technology, as well as Terasen Inc., Tereasen Gas Inc., and FortisBC Inc., where he is the Chair of the Audit Committee.



**MARILYN OSECAP** is a member of Moosomin First Nation, Saskatchewan. She is the Financial Services Controller for the Federation of Saskatchewan Indian Nations, and has at times when needed, served as the Acting Chief Financial Officer. Marilyn has also spent some time as the Controller for the St. Eugene Golf Resort & Casino. She was also previously the Finance Manager for the Saskatchewan Indian Equity Foundation, an aboriginal lending institution. Ms. Osecap was instrumental in the coordination and development of AFOA Canada and more specifically, AFOA Saskatchewan. She served as the Chairperson of AFOA Canada from 2004 to 2007. She has earned a Bachelor of Commerce degree from the University of Saskatchewan, a Business Administration Diploma from the Saskatchewan Indian Institute of Technologies, and is a CAFM (Certified Aboriginal Financial Manager).



**DONNA MORIN** is from Peter Ballantyne Cree Nation (PBCN). 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. 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 north-eastern region of Saskatchewan. She gained much experience which is helping out with her current job with the Peter Ballantyne Cree Nation in the administration department where she works with the management team to ensure efficient and effective operations for the Cree Nation.



**GARY NOTT** is from Vancouver, British Columbia. He was a Senior Partner of Deloitte & Touche, and was the Managing Partner of the firm for Western Canada, until his retirement. 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 a graduate of the Banff School of Advanced Management. He is currently a member of the Institute of Corporate Directors and a member of the Board of Directors of The Deloitte Foundation.

# OUR BOARD *of* DIRECTORS (CONTINUED)



**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. Prior, he worked as a part of the federal negotiation teams on negotiations of land claims and self-government in the north and with the Nisga'a. 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.



**MICHELE BAPTISTE** is Bear Clan and a member of the Algonquin First Nation of Pikwakanagan Ontario; her traditional name is Red Sunset Woman. She has invested the last 20+ years devoting herself to community development, both at grassroots and national levels through her career and volunteer efforts. During her 14 years as National Manager - Aboriginal Relations at Scotiabank she led efforts to expand Scotiabank's business and community involvement with Aboriginal people/communities and to increase Aboriginal employment at the bank. Michele has an educational and business background in marketing and public relations. She was President of the Native Canadian Centre of Toronto Board for three years—a Director for six years—and serves on the Community Council for Aboriginal Legal Services of Toronto, Advisory Committees for the National Women in Leadership Foundation and the Canadian Aboriginal Music Awards since their inception in 1999.



**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 21 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 sixth term as treasurer of the First Nations Tax Administrators Association and sits on the Board of Trustees for the First Nations Market Housing Fund.





**ADITYA JHA** lives in Ontario. He co-founded Osellus Inc. after having a successful career at Bell Canada as a General Manager, eBusiness and General Manager, Product Marketing at Bell Nexxia. He started his career after 4 ½ years of his PHD studies at the School of Computer & Systems Sciences, Jawaharlal Nehru University, India and, worked in various capacities at larger 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.



**ROMEO CROW CHIEF** is a member of the Siksika Nation. Prior to working as a consultant, Romeo worked for Siksika Nation for twenty-one (21) years in various financial and management positions and during this time, he also served a term as a councilor for Siksika Nation. Mr. Crow Chief's training is in the areas of financial and administrative management, strategic planning, and conflict resolution and community development. Currently, he is President and owner of "Crow Chief Consulting and Mentoring Services, as well as President and Executive Director of AFOA Alberta.

In 2005, Mr. Crow Chief was awarded the Deputy Ministers' Pride and Recognition Award for Excellence in Leadership and in 2007; he was also awarded INAC's Regional Award of Excellence. He has published a handbook called "*First Nation Leadership Practices and Tools for Success*" and just completed a book titled "*Understanding First Nation Finances and Personal Financial Fluency*".

# OUR VALUES

We believe that the following core values are essential to guide the manner in which the FMB 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 FMB 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 FMB 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 FMB services respect the unique and evolving needs of First Nation governments and communities.

# OUR OBJECTIVES

The overall objective of the FMB 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 FMB has three business lines. These business lines and the objectives for each business line are presented in the table below:

*Table 1 - Summary of Objectives by Business Line*

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>

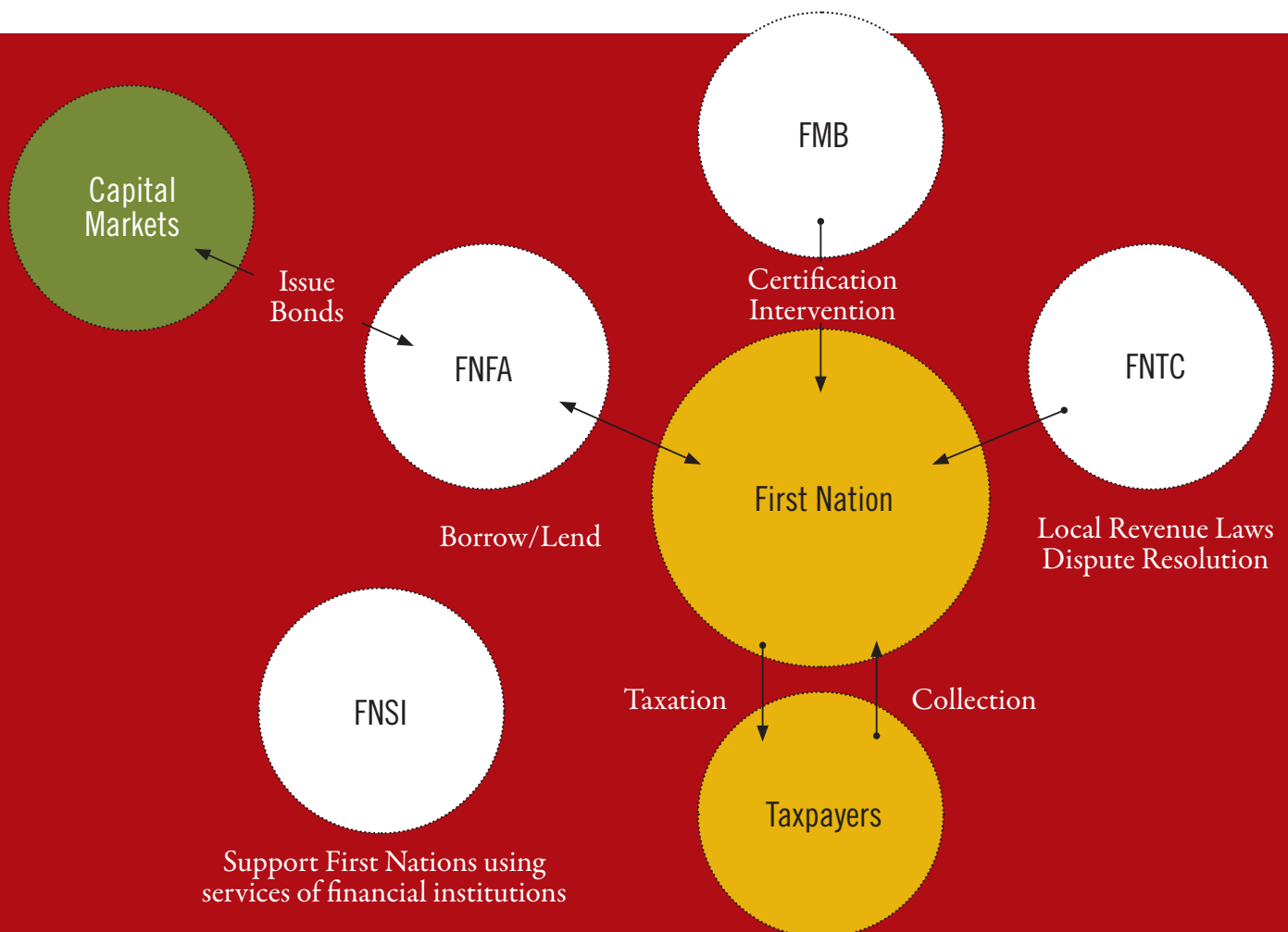
# OUR SERVICES

The FMB 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 can apply to be added to the FSMA schedule. *Figure 2* below illustrates the relationship among participating First Nations, taxpayers on their lands, the fiscal institutions established by the FSMA (including the FMB), 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 FMB 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.

*Figure 2 – An overview of the regulatory regime established by the FSMA*





Should there be problems with either the property tax system or the repayment of infrastructure loans, the FNFA or FNTC can trigger the FMB 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.

There are some First Nations that are interested in using 'other revenues' to repay a loan from the FNFA. Pursuant to S.142 of the Act, the Governor in Council may make a regulation prescribing the use of First Nation Other Revenues to secure financing from FNFA. It is contemplated that a First Nation with both property tax revenues and other revenues can use either or both for borrowing. The regulation is currently being developed by Canada in a collaborative effort with the FSMA institutions. The FMB certification process will be a requirement to borrow from the FNFA using 'other revenues'.

In addition, Canada is working with First Nations to improve approaches to transfer payments. Multi-year block funding is under consideration for First Nations that demonstrate an ability to manage these types of arrangements. Canada is proposing to conduct an assessment of a First Nation to determine whether they would be eligible for a multi-year block funding arrangement. An FMB certification may be an indicator that a multi-year block transfer would be appropriate.

## AN EFFECTIVE FINANCIAL ADMINISTRATION SYSTEM WILL HELP FIRST NATIONS ACHIEVE THEIR OBJECTIVES

Regardless of whether the strategy is borrowing with property tax, other revenues, or looking to access multi-year funding agreements with Canada, a well functioning financial administration system will help a First Nation to achieve their objectives.

*What are the characteristics of an effective financial administration system?*

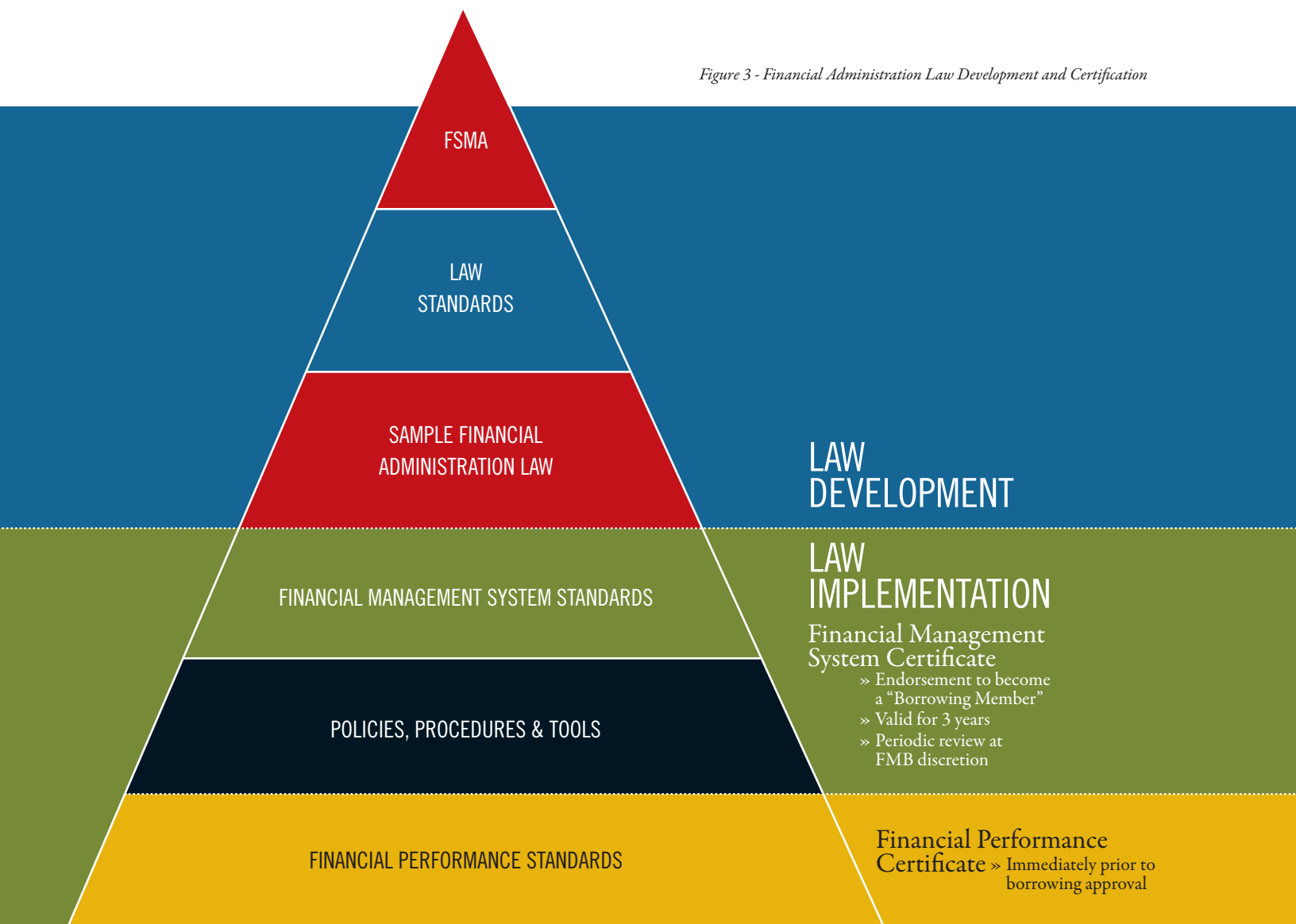
- » **ORGANIZATION** such as identifying people responsible for managing the system, and providing oversight through a finance and audit committee.
- » **FINANCIAL MANAGEMENT** including preparation of budgets and financial statements and regular communication with membership.
- » And some specific rules on **CAPITAL PROJECTS** to ensure that value for money is achieved in their construction, and plans are made for maintenance and eventual replacement.

Implementing a system that meets these standards will enable members and investors to be well-informed about the financial position of a First Nation.

# THE FMB ROLE *in the* FSMA BORROWING PROCESS

Figure 3 below illustrates the relationship between the various standards, approvals and certifications that are offered by the FMB. The FSMA provides the authority for the FMB to establish standards for financial administration laws. To support First Nations in developing their own laws, the FMB has developed a sample that, if adopted by a First Nation, would meet the FMB 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 FMB.

Figure 3 - Financial Administration Law Development and Certification



The First Nation will implement the rules established in their law in order for their financial management system to be certified. The FMB 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 FMB 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 FMB will be able to provide a “Financial Management System Certificate”.

It typically takes one operating cycle to demonstrate that a financial administration system has implemented all aspects of, and is successfully operating under, its financial administration law. An example might be the budget process. Other activities may require a full year of activity before they can be completed. An approach is under development that will enable First Nations to begin to implement their financial administration law, demonstrate that there is a plan for full implementation, and still move on to a ‘financial performance’ certification review in advance of a ‘Financial Management System Certificate’ being issued. In this way, it will be possible to maintain the integrity of the FMB standards (which investors will want to see) and improve First Nation access to capital.

A separate certificate (“Financial Performance Certificate”) 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.

# WHAT STEPS CAN A FIRST NATION TAKE TO HAVE ITS FINANCIAL MANAGEMENT SYSTEM AND FINANCIAL PERFORMANCE CERTIFIED?

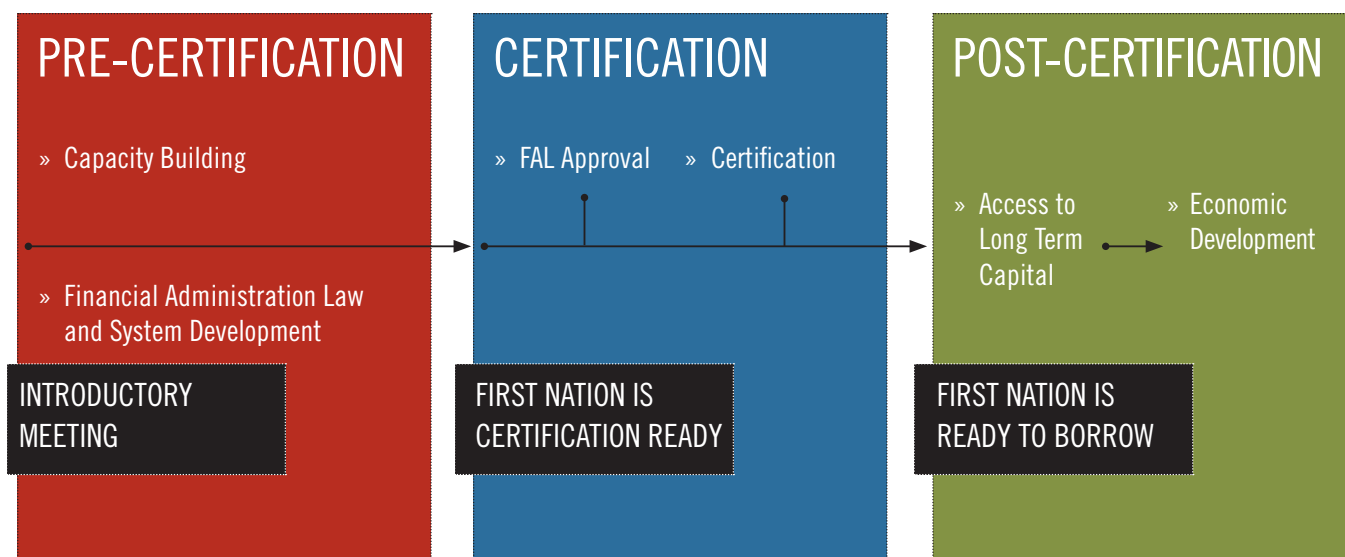
A common question from First Nations is: *what do we need to do to get certified?*

The diagram below describes the three main stages of work required.

The **PRE-CERTIFICATION** stage involves an analysis of the current financial administration system, development of a law, and implementation of policies and procedures to ensure that the system is operating according to the rules set out in the law. At a First Nation's request, the FMB can provide services and support in getting ready including: providing a sample law, conducting a preliminary analysis of the First Nation's law, providing self-assessment tools, and providing sample policies and procedures.

Once a First Nation has completed this work, a request can then be made to have the FMB review the law and conduct a **CERTIFICATION**. Separate certificates are required for financial performance and financial management systems. It may be possible to show financial performance before completely implementing a financial administration law and system.

Once a certification is achieved, it enters a **POST-CERTIFICATION** stage and is able to apply for a loan from the FNFA. The proceeds from the loan can be used for infrastructure such as roads, water, and sewer that will support economic development.







# HEARING FROM OUR CLIENTS BUILDING A STRONG FOUNDATION AT CHEHALIS



The Chehalis Indian Band, located in Agassiz, British Columbia, is among the first wave of communities to move forward with the First Nations Fiscal and Statistical Management Act (FSMA) and the FMB certification process. FMB staff met with Paul Andrew, Chief Financial Officer of the Chehalis Indian Band, to ask questions about their participation in the FSMA.

## Q. FMB: WHAT LED CHEHALIS TO JOIN THE FSMA SCHEDULE?

Chehalis did not have a section 83 bylaw and went right into the FSMA. This was a decision of the Chief and Council who attended a tax commission workshop and got to see what was involved first hand. The vision was to establish Chehalis in a 'more professional spotlight', which would instill more confidence from potential investors to Chehalis.

In January 2008, Chehalis became a scheduled First Nation under the FSMA. Since then, they have been an active participant in the property tax provisions of the FSMA.

In January 2009, the Chehalis Indian Band expanded their involvement with FSMA by passing a resolution to work with the First Nations Financial Management Board and to work towards obtaining certification for their Financial Administration Law (FAL) and Financial Management Systems.

## Q. FMB: HOW WILL THE FSMA HELP CHEHALIS ACHIEVE ITS LONG TERM PLANNING AND VISION?

Under the FSMA, the long term goal of Chehalis is to expand their borrowing power so they can access long term capital. This will create more opportunities for economic development in the community. Chehalis wants to decrease the reliance on government transfer payments so they remain financially independent. Currently, Chehalis is able to generate significant revenues from royalties from their territory's natural resources, profitable businesses, user fees and a tax share from other governments.

In April 2008, the Sts'ailes Development Corporation (SDC) was established by approval of the Chehalis Chief and Council. The SDC mission is to serve the sovereign interests of the Chehalis people through the creation, ownership and operation of profitable businesses including socio-economic enterprises that nurture and strengthen self-reliance. The focus is on reinvestment, loan and technical assistance and employment development. Through Band assistance and the Business Development Officer, band members have been successful in establishing new private businesses. This growth and development has positive effects for the community as employment has increased for members.

Mr. Andrew reiterated the importance of borrowing power and access to long term capital for Chehalis' ability to create more economic development opportunities in and for the community. The fact that FMB certification can enhance a First Nation's credibility (similar to ISO certification) is a benefit

that people understand. In discussions with the bank, Mr. Andrew has found the FAL development process to be of particular value for Chehalis:

“A few months ago, the bank manager toured Chehalis and we explained what we’re doing with the FAL and establishing ourselves under the FSMA. We’re turning this into borrowing power and the bank is listening.”

**Q. FMB: WHAT ROLE DID THE CHIEF AND COUNCIL PLAY IN THE CREATION OF FINANCIAL SYSTEMS AND POLICIES?**

Originally, the Council gave the overall guiding principles to proceed. After this, the next phase involved drafting the FAL and policies which support the FAL. Certain items in the financial systems and policies were included, because Council requested that they be included.

**Q. FMB: ANY OTHER COMMENTS RELATED TO SYSTEMS DEVELOPMENT?**

Communication has improved within the Chehalis administration as a result of the certification process. The process has given the administration a different perspective on what each department does. There is more coordination and understanding among the departments.

Paul Andrew: “Organization wide, the process of working on policies and procedures has brought the staff together because this work, required a lot of communication. We’ve improved communication over a short period of time and we’ve identified how much we want to improve our systems. When new policies are developed and approved, there is also a sense of accomplishment and relief. You also get better acceptance from the managers as to why certain things have to be done certain ways; not just the finance manager or committee getting a big head saying it has to be done THIS way.”

**Q. FMB: DESCRIBE WHAT CHEHALIS HAS LEARNED FROM THE IMPLEMENTATION PROCESS. WHAT ADVICE WOULD YOU GIVE TO OTHER FIRST NATIONS JUST STARTING OUT?**

The Chehalis experience reflects what has been consistent with other First Nations involved with the certification process. Finding and allocating time has been difficult at times. This said, the rationale of the FSMA continues to be a motivating force for First Nations continuing forward:

*“Give yourself lots of time, keep reminding yourself of the benefits, the vision of having the community attain more professionalism, accountability and credibility in the business world. Keep that vision close and remind yourself and management and council why you’re in that business.”*

PAUL ANDREW

The response from Mr. Andrew reiterates the importance of time but also reflects the Chehalis Indian Band’s long term strategic plan. Chehalis’ vision is to access long term capital and create more economic development opportunities for their community. They view the FMB certification process as the avenue for increased investor confidence and increasing accountability.

# TOOLS *to* IMPLEMENT *an* EFFECTIVE FINANCIAL ADMINISTRATION SYSTEM

Since the FMB started operations (June 2007), the FMB Board of Directors has reviewed and approved a range of tools that First Nations have begun to use to improve their financial management systems. These include:

- » **FINANCIAL ADMINISTRATION LAW STANDARDS** elements that should be in a First Nation financial administration;
- » **SAMPLE FINANCIAL ADMINISTRATION LAW** an example of a financial administration law that could be used by a First Nation as a starting point;
- » **FINANCIAL ADMINISTRATION SYSTEM STANDARDS** elements of a financial management system that the FMB will examine to determine whether a First Nation system has the appropriate design controls and is operating effectively;
- » **SAMPLE POLICIES AND PROCEDURES TEMPLATES** tools that a First Nation can use to implement their financial administration law.
- » **INTERVENTION POLICY** the policy to be used by the FMB in protecting the integrity of the property taxation system and the borrowing members of the First Nation Finance Authority.
- » **FINANCIAL REPORTING STANDARDS** the FMB has developed standards for financial reporting in the Local Revenue Account. These standards are consistent with the Common Government Reporting Model.
- » **CAPACITY DEVELOPMENT** a course entitled “FSMA and the FMB Certification Process” was developed in fiscal year 2008/2009. The FMB 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 FMB 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.

Materials have been distributed to participating First Nations and are now available on the FMB 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.

*Table 2 - What would motivate a First Nation to seek FMB services?*

	NO. OF FIRST NATIONS (EST.)	WHY SEEK FMB SERVICES?
FSMA Schedule	55	» Certification required to borrow
Section 83 Laws	Over 100	» Confidence in management of property tax revenue
First Nation GST Act	43	» Confidence in financial management of FNGST revenue
First Nations Land Management Act	57	» Confidence in financial management of revenue generated from lands under authority of a First Nation land code
First Nations Oil & Gas Moneys Management Act	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





# RESULTS *for* 2009/2010

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 FMB has continued to work with participating First Nations to generate feedback on these documents. The case study work is now complete and the FMB 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 FMB.

*Table 3 - Assessment of 2009/2010 Results: Supporting First Nation Governments*

PERFORMANCE MEASURE	PROGRESS TO DATE
20-30 PRESENTATIONS	» 32 presentations made
15-20 FIRST NATIONS IN FAL DEVELOPMENT	» 26 First Nations in FAL development
5-10 FIRST NATION FINANCIAL MANAGEMENT SYSTEMS IN DEVELOPMENT	» 11 First Nation financial management systems in development
1-3 FIRST NATIONS IN CERTIFICATION PROCESS	» 1 First Nation in certification process

# SERVICES TO OTHER GOVERNMENTS & ORGANIZATIONS

The FMB 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.

Table 4 - Other governments and organizations relevant to the FMB

OTHER GOVERNMENT OR ORGANIZATION	RELEVANCE TO FMB
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 Nation Governance	» FMB standards include sections about organizational structure, roles and responsibilities which are relevant to governance structure
Public Sector Accounting Board of the Canadian Institute of Chartered Accountants	» FMB 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 FMB 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

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

*Table 5 - Assessment of 2009/2010 Results: Services to Other Governments and Organizations*

PERFORMANCE MEASURE	PROGRESS TO DATE
2 Research Project Work Plans	» 2 research work plans
2 Research Projects Reviewed By FMB	» 1 research project reviewed by FMB
6 Institutional Coordination Sessions	» 7 institutional coordination sessions
4 Meetings With Other First Nation Institutions	» 4 meetings (New Relationship Trust, National Centre for First Nations Governance, AFOA, Tulo Centre of Indigenous Economics)
Focus Group With Investors To Review Financial Administration System and Financial Performance Standards	» Informal discussion held with Rating Agency and Investment Bank to obtain feedback on Financial Management and System standards
Legislative Review Terms of Reference and Preparation	» Workplan under development
2 Organizations Partnered to Offer Courses Related to FMB Standards	» MOU with TULO Centre of Indigenous Economics » MOU with AFOA » Workplan with University of Ottawa under development

# FINANCIAL STATEMENTS

*for the year ended March 31, 2010*



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



# AUDITORS' 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, 2010 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, 2010 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 18, 2010

# STATEMENT *of* FINANCIAL POSITION

MARCH 31	2010	2009
<b>Assets</b>		
<b>Current</b>		
Cash (Note 1)	234,953	31,225
Temporary Investment	-	157,786
Accounts Receivable (Note 2)	435,723	431,711
Prepaid Expenses	37,510	8,342
	<b>708,186</b>	<b>629,064</b>
<b>Security Deposit (Note 3)</b>	54,005	54,005
<b>Capital Assets (Note 4)</b>	314,253	263,342
	<b>\$1,076,444</b>	<b>\$946,411</b>
<b>Liabilities &amp; Net Assets</b>		
<b>Liabilities</b>		
<b>Current</b>		
Accounts Payable And Accrued Liabilities	559,047	569,856
Current Portion Of Capital Lease Obligation (Note 5)	10,986	-
	<b>570,015</b>	<b>569,856</b>
<b>Capital Lease Obligation (Note 5)</b>	42,326	-
	<b>612,341</b>	<b>569,856</b>
<b>Net Assets</b>		
Invested In Capital Assets	260,959	263,342
Internally Restricted	-	199,972
Unrestricted	203,144	(86,759)
	<b>464,103</b>	<b>376,555</b>
	<b>\$1,076,444</b>	<b>\$946,411</b>

Approved on behalf of the Board:

  
DIRECTOR

  
DIRECTOR

## STATEMENT *of* OPERATIONS

FOR THE YEAR ENDED MARCH 31	2010	2009
<b>Revenue</b>		
INAC funding	3,962,969	3,660,000
Interest income	178	8,407
Other	-	450
	<b>\$3,963,147</b>	<b>\$3,668,857</b>
<b>Expenses</b>		
Salaries and benefits	1,079,306	1,072,163
Client service delivery (Note 9)	736,456	135,028
Policy development	808,048	1,255,972
Corporate services	737,180	892,678
Director fees and expenses	330,404	424,484
Travel	118,491	152,303
Amortization	65,714	46,169
	<b>3,875,599</b>	<b>3,978,797</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$87,548</b>	<b>\$(309,940)</b>

## STATEMENT *of* CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31	Invested in Capital Assets	Internally Restricted	Unrestricted	2010	2009
Balance, beginning of year	263,342	199,972	(86,759)	376,555	686,495
Excess (deficiency) of revenue over expenses	(65,714)	(199,972)	353,234	87,548	(309,940)
Purchase of capital assets	57,598	-	(57,598)	-	-
Repayment of capital lease	5,733	-	(5,733)	-	-
<b>Balance, end of year</b>	<b>\$260,959</b>	<b>\$ -</b>	<b>\$203,144</b>	<b>\$464,103</b>	<b>\$376,555</b>

# STATEMENT *of* CASH FLOWS

FOR THE YEAR ENDED MARCH 31	2010	2009
<b>Cash provided (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenses for the period	87,548	(309,940)
Item not involving cash		
Amortization of capital assets	65,714	46,169
	<b>153,262</b>	<b>(263,771)</b>
Changes in non-cash working capital balances		
Accounts receivable	(4,012)	(323,610)
Prepaid expenses	(29,169)	6,904
Accounts payable and accrued liabilities	(10,808)	223,307
	<b>109,273</b>	<b>(357,170)</b>
<b>Investing activities</b>		
Purchase of temporary investment	-	(157,786)
Redemption of temporary investment	157,786	513,081
Purchase of capital assets	(57,598)	(126,726)
	<b>100,188</b>	<b>228,569</b>
<b>Financing activity</b>		
Capital lease principal payments	(5,733)	-
<b>Increase (decrease) in cash during the period</b>	<b>203,728</b>	<b>(128,601)</b>
Cash, beginning of year	31,225	159,826
<b>Cash, end of year</b>	<b>234,953</b>	<b>31,225</b>
<b>Non-cash Transaction</b>		
Acquisition of equipment under lease	59,027	
<b>Supplemental Information</b>		
Interest paid	822	

# SUMMARY *of* SIGNIFICANT ACCOUNTING POLICIES

## GENERAL

The First Nations Financial Management Board (“FMB” or the “Board”) operates as a shared governance corporation without share capital that was established through Bill C20 the First Nations Fiscal and Statistical Management Act (the “Act”) 2005 which went into effect April 1, 2006. Under the Act, the FMB provides tools for modern fiscal management, improving the investment climate and promoting economic growth on Reserves across Canada.

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

## CAPITAL ASSETS

Additions to capital assets are recorded at cost. The Board amortizes its capital assets 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
Office equipment under capital lease .....	term of lease (5 years)

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

## LEASES

Leases are classified as capital or operating depending upon the terms and conditions of the contracts. Where the lease transfers the benefits and risks of ownership to FMB, the lease is classified as capital.

## 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.

## INTERNALLY RESTRICTED FUNDS

In the prior year, FMB internally restricted surplus from the 2007/2008 fiscal year based on agreement with INAC to reinvest this surplus for grant activities or reimbursements to help targeted First Nations cover some of the costs associated with advancing their financial administration law development.

In the current year, all such funds were utilized for this purpose.





# SUMMARY *of* SIGNIFICANT ACCOUNTING POLICIES *(continued)*

## 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.

## USES 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 on the financial statements of FMB are as follows:

### FUTURE DIRECTION OF STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

The Canadian Institute of Chartered Accountants (“CICA”) has determined that not-for-profit organizations (“NPOs”) do not meet the definition of “publicly accountable” organizations for purposes of consideration of International Financial Reporting Standards (“IFRS”). This means that NPOs will not be required to adopt IFRS in 2011. The CICA has issued an exposure draft seeking comment on its proposal to incorporate accounting standards for NPOs into Part III of the CICA Handbook. Part III would comprise the core standards, often referred to as the 4400 series of the CICA handbook, which will remain the primary source of Canadian generally accepted accounting principles (GAAP) for non-for-profit organizations. In addition, a NPO would be directed to Part II, the accounting standards for private enterprises, to the extent they are of general applicability or pertain to the organization’s circumstances when there is no relevant standard in Part III. The CICA has stated that any NPO could elect to follow IFRS, if that approach meets the needs of the users of its financial statements. It is important to note that although Canadian publicly accountable enterprises are required to adopt IFRS on January 1, 2011, not-for-profit organizations are not required to make a choice or to follow the same transition schedule. The transition to a new strategy for not-for-profit financial reporting will be based on a separate timeline that allows adequate time to plan and transition successfully.

The impact to the financial reporting of FMB is not determinable at this time.

# NOTES *to* FINANCIAL STATEMENTS *March 31, 2010*

## 1. CASH

FMB's cash is held in one Canadian chartered bank and earns interest at the current prevailing rates of interest for business operating accounts.

## 2. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	2010	2009
Funding receivable	398,797	366,450
GST recoverable	36,926	63,572
Interest receivable	-	1,689
	<b>\$435,723</b>	<b>\$431,711</b>

## 3. SECURITY DEPOSIT

The security deposit of \$54,005 (2009 - \$54,005) is held by Maple Leaf Property Management in relation to the Board's leased premises.

## 4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2010	Net Book Value 2009
Computer equipment	147,335	55,881	91,454	69,351
Leasehold improvements	135,480	56,028	79,452	106,548
Office furniture and fixtures	122,415	34,159	88,256	87,443
Office equipment under capital lease	59,026	3,935	55,091	-
	<b>\$464,256</b>	<b>\$150,003</b>	<b>\$314,253</b>	<b>\$263,342</b>

## 5. OBLIGATION UNDER CAPITAL LEASE

FMB leases a photocopier at an interest rate of 4.24%. The lease matures November 30, 2014. The future annual capital lease payments in each of the fiscal years ending March 31 under the agreement until maturity are as follows:

Year	Amount
2011	13,109
2012	13,109
2013	13,109
2014	13,109
2015	6,553
	<b>58,989</b>
Less: imputed interest	<b>(5,695)</b>
	<b>53,294</b>
Less: current portion	<b>(10,968)</b>
	<b>\$42,326</b>

# NOTES *to* FINANCIAL STATEMENTS *March 31, 2010*

## 6. COMMITMENTS

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:

Year	Amount
2011	94,820
2012	7,902
	<b>\$102,722</b>

## 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments at March 31, 2010 and 2009 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.

## 8. ECONOMIC DEPENDENCE

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

## 9. CLIENT SERVICES DELIVERY

Client services delivery involves direct costs associated with client requests for financial administration law and certification review. In addition, it covers support activities provided to First Nation in the financial administration law and system development process. Indirect costs such as salaries and administration costs are not allocated for purposes of financial statement presentation.

## 10. COMPARATIVE AMOUNTS

Certain comparative amounts presented in the financial statements have been restated to conform with the current year's presentation.

## 11. CAPITAL DISCLOSURES

FMB'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. FMB considers its capital to be its net assets.

FMB reviews its capital management approach on an ongoing basis, and believes that this approach, given the relative size of FMB, is reasonable. There were no changes to FMB's approach to capital management during the year ended March 31, 2010. FMB is not subject to any externally imposed capital requirements.

# CORPORATE INFORMATION

## DIRECTORS

**Harold Calla**, CGA, CAFM  
*Chair*  
British Columbia

**Marilyn Osecap**, BCom, CAFM  
*Vice-Chair*  
Saskatchewan

**Michele Baptiste**  
Ontario

**Donna Morin**, CMA, CAFM  
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**Gary Nott**, CA  
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**Jim Prodger**, CAFM  
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**Barrie Robb**, BA, MPA, MIR  
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**Aditya Jha**, MsSc, PG Diploma, Comp Sc.  
Ontario

**Romeo Crow Chief**, CAFM  
Alberta

## STAFF

**Walter Schneider**, CA  
*Chief Executive Officer*

**Barry Christoff**, LLB, CAFM  
*Director, Corporate Services*

**Maureen Thomas**  
*Manager, Corporate Services & Privacy Office*

**Gabrielle Ollinger**  
*Manager, First Nations Liaison, Quality Management, & Intervention*

**Travis Seymour**, CGA, MBA, CAFM  
*Director, Capacity Development*

**Jordan Wapass**, MPP  
*Research Analyst, Capacity Development*

**Nola Latimer**  
*Receptionist*

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