

*2011/12*

# Annual Report



FIRST NATIONS  
FINANCIAL MANAGEMENT BOARD  

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LE CONSEIL DE GESTION FINANCIÈRE  
DES PREMIÈRES NATIONS



*“Certification brings Tzeachten to a level of financial awareness that forces us to implement improved financial practices overall.”*

**- Sheila Schmidt** GENERAL MANAGER  
Tzeachten First Nation

# What Certification Means *to* First Nations

*“Receiving Financial Performance Certification from the First Nations Financial Management Board was an exciting milestone in our FSMA implementation process. Certification recognizes our excellence in financial management and accountability and demonstrates to our business partners that we are a sound investment. Thanks to Certification we are now a borrowing member of the First Nations Finance Authority. We are excited about the economic future of Songhees Nation.”*

**- Christina Clarke** TAX ADMINISTRATOR  
Songhees First Nation



# Table of Contents

Message from the Executive Chair.....	5
Our Organization Overview.....	8
Our Standards .....	10
Our Board of Directors .....	12
Our Mission, Values & Mandate .....	16
Our Business Lines .....	18
Borrowing Through the FSMA .....	19
Our Core Documents .....	22
Results for 2011-2012 .....	23
Financial Statements .....	24
Board of Directors - <i>Schedule</i> .....	30
Corporate Information .....	35



# Operational Update

5

First Nations have  
achieved FMB Financial  
Performance  
Certification

7

First Nations have  
passed Financial  
Administration  
Laws that meet  
FMB FAL standards

29

*First Nations in  
Financial Administration  
Law development*

45

First Nations  
that are active  
FMB clients

79

First Nations listed on  
the First Nations Fiscal  
& Statistical Management  
Act schedule

# Message *from the* Executive Chair

We are pleased to report that over the past year, the FMB was able to provide its first certifications to five First Nations. This is a tremendous milestone for our young organization, and we commend the five certified First Nations for their efforts and congratulate them for this achievement. We anticipate considerable growth in the number of certifications in the upcoming year. We are expecting ten First Nations to be certified in the first quarter of 2012/2013. We look forward to the first FNFA debenture issue in the near future.

The 2011/12 year saw significant change for the FSMA and its institutions. As a result of budget cuts, unfortunately the First Nations Statistical Institute (FNSI) will be winding down its operations over the next year. However, we remain confident in the First Nations-led FSMA legislation, and the borrowing regime it created, in accomplishing its objectives.

In the coming year we will be working with the other FSMA institutions, First Nations, and other orders of government to develop an approach whereby First Nations can assert jurisdiction by obtaining a meaningful equity stake in economic projects that impact their respective territories. We hope to develop an approach that will fit within the FSMA regime, with an aim on capacity development and creating economies within First Nations communities.

Sincerely,

  
Harold G. Calla, *CHAIR*



# FMB *Certified* First Nations



## *Osoyoos Indian Band*

Osoyoos Indian Band is located just outside of Oliver, BC in the South Okanagan. Osoyoos has plans to use the FSMA borrowing regime to service a development site on its reserve lands to accommodate a correctional centre, as well as to upgrade its 45-acre business park. Osoyoos believes that their development plans will stimulate their local economy and create more jobs for people on and off their reserve.



## *Tzeachten*

Located within the city of Chilliwack, BC, Tzeachten is one of the first FMB clients to be certified. Tzeachten staff and leadership are passionate and motivated to enhance the services offered to their community. Certification will allow them to re-finance existing loans and move forward with other shovel ready projects in the community.







## *Membertou*

Membertou is situated 3 km outside the city of Sydney, Nova Scotia. Membertou is a progressive community that believes in robust financial management systems. From 1995 to present, the annual budget has grown from \$4 million to \$65 million. This is attributed to strong leadership, governance, and commitment to accountability and transparency.



## *Sts'ailes*

Formerly the Chehalis Indian Band, Sts'ailes is located in the Chilliwack Valley in BC. Chief and Council and administration have demonstrated a commitment to achieve their goal of being one of the first communities certified by the FMB. The new FSMA regulation allowing First Nations to pledge other revenue streams is key to Sts'ailes, as they do not have a large tax base to draw upon.



## *Songhees Nation*

Songhees Nation, located adjacent to Victoria, BC, have been an FMB client since the FMB became operational. Songhees has paved the way for other communities working toward certification. Songhees plans on joining the FSMA borrowing pool and taking advantage of the attractive financing terms to assist in fulfilling its community development plan, which includes a new community centre.



# Our Organization Overview

The First Nations Financial Management Board (FMB) instills confidence in First Nations by establishing standards embraced and utilized by comparable non-First Nation governments in connection with financial administration laws, financial management systems, and financial performance. Implementation of these standards will enhance First Nations' ability to demonstrate accountability, stewardship, and transparency to their membership, other governments, business partners, investors, and creditors alike.

## First Nations Fiscal and Statistical Management Act (FSMA)

The FMB is an Aboriginal institution created through the *First Nations Fiscal and Statistical Management Act* (FSMA). The FSMA is optional legislation that came into effect on April 1, 2006 and was designed primarily to provide participating First Nations with the tools and capacity needed to facilitate their participation in long-term pooled borrowing through the capital markets—on a similar basis as other governments in Canada—to support their social and economic development objectives.

## Core Business

The FMB provides three services using legislative authorities that form the essential platform to securitize First Nations revenues.

- **COMPLIANCE APPROVAL** of Financial Administration Laws of First Nations
- **CERTIFICATION** of Financial Management Systems and Financial Performance of a First Nation
- **INTERVENTION** in a co-management or third party management capacity of a First Nation

## The FMB has established the following functions to carry out its authorities

### STANDARDS

- Financial Administration Law
- Financial Management Systems
- Financial Performance
- Local Revenue Account Reporting

### PROCEDURES

- For the approval of Financial Administration Laws
- For the Certification of Financial Management Systems and Financial Performance.
- For an intervention request under the FSMA.

### CAPACITY DEVELOPMENT TOOLS

- Policies and procedures templates
- Sample financial administration law
- Self-assessments for Financial Administration Law and financial management systems.

For more information on FMB Standards, Procedures, or Capacity development tools, visit FMB's website [www.fnfmb.com](http://www.fnfmb.com)



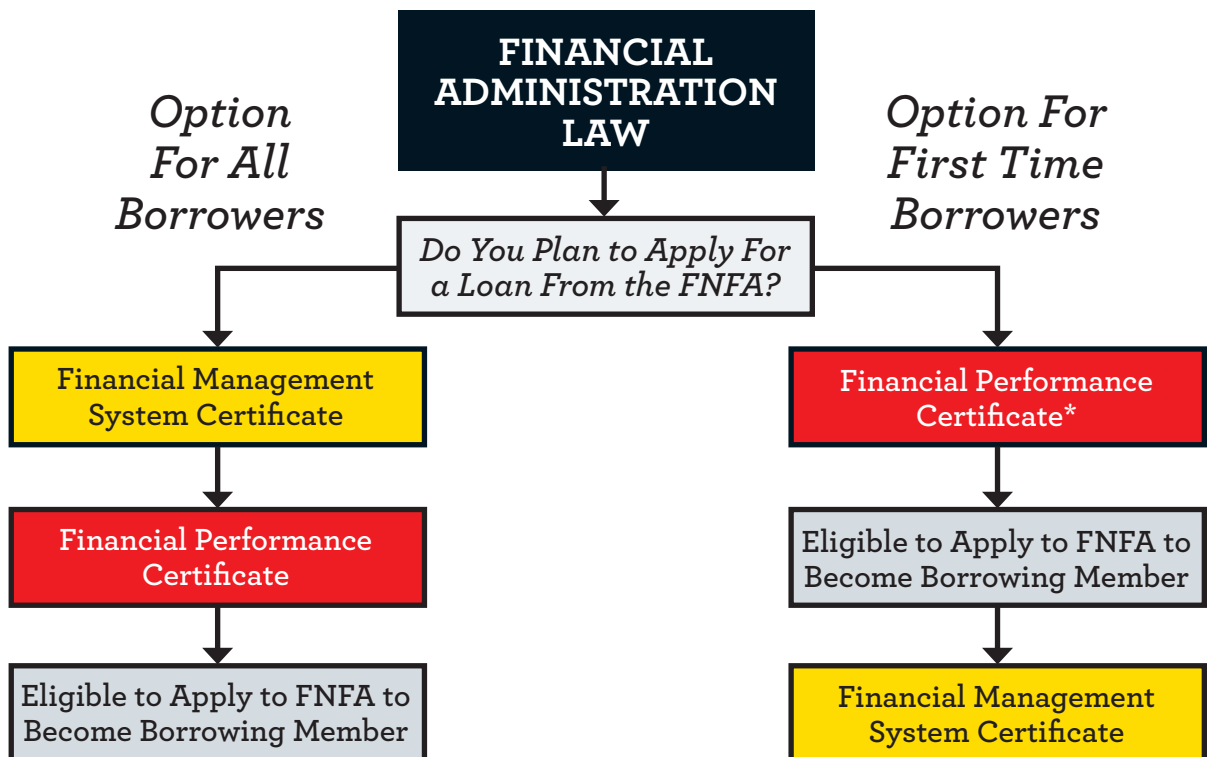
## The FMB's role in the FSMA borrowing program

The FMB provides **certification** services to First Nations that wish to become a borrowing member of the First Nations Finance Authority (FNFA) and obtain long-term capital financing.

- 1) **COMPLIANCE APPROVAL** of the First Nation's Financial Administration Law.
- 2) **CERTIFICATION OF:**
  - a. Financial Management Systems; and,
  - b. Financial Performance:
    - i. First Nations seeking to borrow for the first time through the FSMA, can request a Financial Performance **Certificate** in advance of a Financial Management **Certificate**, but must commit to a work plan to fully implement a financial management system within 36 months of becoming a borrowing member of FNFA.

Figure 1 below illustrates the FMB certification process

# *FMB Certification Process For First Nations*



\* Must make commitment to implement financial management system

# Our Standards

## The Financial Administration Law Standards

The FMB FAL standards are comprised of 7 interrelated components that form the foundation of a First Nations internal control environment. At a high level, these are the rules that will govern the financial administration of the First Nation.

1. Administration
  - a. Responsibilities of Council, delegation authorities
  - b. Finance and Audit committee establishment
  - c. Conflict of interest
2. Financial Management
  - a. Budgets and financial plans
  - b. Financial reporting, risk management, audits
  - c. Records and information
3. Tangible Capital Assets
  - a. Life cycle planning
4. Borrowing member Requirements
5. Land Management
6. Oil and Gas Moneys Management
7. Miscellaneous

## The Financial Management System Standards

The FMB System standards are comprised of the process and procedure requirements that will comply with the Financial Administration Law (FAL) and provide the requisite guidance for design and implementation of sound financial practices for the operation, management, reporting and control of the financial management systems of the First Nation.

The Financial Management System Standards (FMS) are comprised of the essential processes and procedures that facilitate compliance with the FAL and provide the requisite design and implementation requirements of sound financial practices for the operation, management, reporting and monitoring of financial management system of a First Nation government.

The System Standards recognize that the First Nation has a degree of flexibility in implementing controls to meet its Financial Administration Law objectives.

## The Financial Performance Standards

The FMB Financial Performance standards are a point in time assessment of financial condition that under the FSMA is to be used by First Nations as a qualifying certificate to access a loan from the First Nations Finance Authority (FNFA). It should be noted that the Financial Performance Certificate is but one criterion that FNFA will use in their determination to provide a loan to a First Nation. The Financial Performance Certificate is not intended to provide the basis for assessing credit worthiness for a particular loan, rather, the assessment evaluates how well a First Nation is using its resources to run its government. It also provides a signal of overall financial health of a First Nation which can assist users in identifying trends and foreseeable risks that in aggregate provides insight in the First Nations fiscal stewardship.

The Financial Performance Standards are comprised of 7 ratios that will be calculated using information reported in the First Nations most recent 5 years audited financial statements. The 7 ratio results will help provide answers to the following questions on financial performance:

**1. Fiscal Growth Rate (FGR)**

» *Is the pace of revenues growth keeping up with expenses?*

**2. Liquidity Test Rate (LTR)**

» *Is there enough cash to meet its short-term liabilities?*

**3. Core Surplus Rate (CSR)**

» *Is expense management consistently aligned with current revenue?*

**4. Asset Maintenance Ratio (ARM)**

» *Is there consistent investment in capital assets to maintain program & service delivery?*

**5. Net Debt Ratio (NDR)**

» *Is there capacity to take on debt?*

**6. Budget Performance Rate (BPR)**

» *Have budgetary assumptions been reasonable?*

**7. Tax Collection Rate (TCR)**

» *Has there been stability in collecting property taxes?*

# Our Board of Directors

In accordance with Section 38 of the Act, a Board of Directors manages the FMB. The FMB operates as a shared governance institution under Part 3 and 6 of the *FSMA*. Under this governance model the FMB is not an agent of the crown but is accountable to the Minister of Aboriginal Affairs and Northern Development Canada. The Board of Directors is responsible for the overall direction of the FMB, ensuring the FMB fulfills its legal and regulatory mandate under the *FSMA*.

The Governor in Council (GIC) appoints the Chairperson and a minimum of five and a maximum of nine other directors. The Aboriginal Financial Officers Association of Canada (AFOA), or any other body prescribed by the *FSMA*, appoints up to three additional directors.



**Harold Calla** (*Executive Chair*) is a member of the Squamish Nation, located in North Vancouver, B.C. He held the position of the Squamish Nation Surveyor of Taxes from 1993-2011 and was an elected councilor for two terms from 1993-2001. He was a Director of the Canada Mortgage and Housing Corporation from 2005 to 2011 and served as a member of the corporation's Audit and Risk Management Committee. He is currently a Director of FortisBC and serves as Chair of the Audit Committee. He is also a Director of the Nicola Valley Institute of Technology where he serves as Chair of the Audit Committee.



**Marilyn Osecap** (*Vice Chair*) is a member of Moosomin First Nation, Saskatchewan. She was formerly the Chief Financial Officer for the Federation of Saskatchewan Indian Nations, and 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 a member of the Peter Ballantyne Cree Nation located in Saskatchewan. She obtained her Certified Management Accountants professional designation in 1997. She has worked in First Nations governments for the last 15 years and gained much experience in financial management. She also has been part of the Aboriginal Financial Officers Association since 1999 and continues to support this professional development organization that offers products and services to employees in Aboriginal organizations. She is also proud to say that she received her Certified Aboriginal Manager which is the designation from AFOA Canada. She is currently a member of the Institute of Corporate Directors.



**Tom Lawson** (*appointed 2011-09-29*), OSJ, CD, is an Honorary Colonel and brings years of private and public sector management experience to this director position. Over the span of his professional career, he has held the position of President with Empire Aviation, Woodholme Holdings Limited, as well as Vice President of Lawson Foundation Limited. He was also a Chairman of the St. Clair Parks Commission and a Director on the National Aboriginal Economic Development Board. He is an Honorary Snowbirds 431 Air Demonstration Squadron, and is active in the Reserves. Mr. Lawson attended both the University of New Brunswick and University of Western Ontario. He is the former Mayor of Grand Bend and a former County Councilor in Lambton, Ontario.



**Gary Nott** (*re-appointed 2011-06-23*) was the Managing Partner of Deloitte & Touche in Western Canada until his retirement in June 2006. He continues to provide services as a contractor for the firm. In addition to being a senior member of the management of the Canadian division of Deloitte, Mr. Nott was senior audit partner, serving the Vancouver office's largest clients. He acted as auditor for First Nations in Saskatchewan and British Columbia and was an advisor for a multitude of First Nations economic development activities. He was also an auditor and advisor to the First Nation clients on land claims, treaty and economic matters, as well as internal control and accounting system and disclosure matters. Mr. Nott has been active in community and professional affairs. 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 he is a graduate of the Banff School of Advanced Management. Mr. Nott was a member of the Canadian Institute of Chartered Accountants' study group dealing with accounting principles for First Nations. He is also currently a member of the Institute of Corporate Directors, and a member of the Finance Committee of the Royal Vancouver Yacht Club.

# Our Board of Directors *Continued...*



**Barrie Robb** (*re-appointed 2011-09-29*) resides in Alberta where he is Vice President for a privately owned northern aboriginal construction company, the Mackenzie Aboriginal Corporation (MAC). MAC shareholders include the Gwich'in Tribal Council, Denedeh Investment Inc., URS-Flint, Ledcor, Peter Kiewit and the North American Construction Group. MAC is focused on the construction of major infrastructure projects in the Northwest Territories. 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 and is Chair of its aboriginal relations committee. During his working career he has worked in senior positions in three different levels of government.



**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 appointed to the First Nations Financial Management Board by Governor in Council in February of 2009, 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 began working with the Millbrook First Nation in 1989 in a part time advisory capacity and full time since 2000 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 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. As well, he was the President and Executive Director of AFOA Alberta and for seven years served on the Board of AFOA Canada of which he served as Chairperson for 3 years. Currently, he is President of Crow Chief Consulting and Mentoring Services. Romeo has been invited to conduct workshops and presentations on indigenous mediation and economic development worldwide, including Romania, Taiwan, Australia and the Philippines. In 2005, he was awarded the Deputy Ministers' Pride and Recognition Award for Excellence in Leadership, and in 2007, he was awarded INAC's Regional Award of Excellence. Romeo has published a handbook called "First Nation Leadership Practices and Tools for Success" and recently completed a book titled "Understanding First Nation Finances and Personal Financial Fluency".



**Brian Titus** is a Certified Aboriginal Financial Manager (CAFM). Brian is a member of the Tr'ondëk Hwëch'in First Nation of Dawson City, Yukon, and has lived in British Columbia since 1987. Mr. Titus has extensive experience working for First Nation communities in policy development, strategic and operational planning, economic development and accounting. Beginning his career as the senior accountant for Albion Fisheries in Vancouver, Mr. Titus later became the finance manager for Stó:lō Nation Child Welfare program and the financial advisor for the Stó:lō Nation Fisheries Authority. In 1993, he began work with the Chehalis Indian Band as the finance and public works manager, and was responsible for several programs such as finance, social assistance, membership, fire protection, housing, and capital projects. Since 2003, Mr. Titus has been the chief financial officer of the Osoyoos Indian Band Development Corporation, and was awarded the Chief Operating Officer position in 2011. Mr. Titus holds other seats, as the BC AFOA Chapter President, a Board member for the Chief Isaac Incorporated, and advisory for the CCAB and the Camosun College.

OUR MISSION, VALUES & MANDATE

## *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.

# 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 Mandate

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

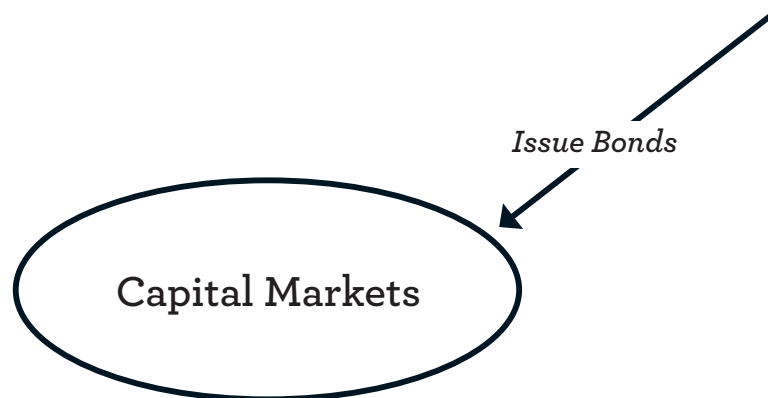
- » Assist First Nations in developing the capacity to meet their financial management requirements
- » Assist First Nations in their dealings with other governments respecting financial management, including matters of accountability and shared fiscal responsibility
- » Assist First Nations in the development, 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
- » 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 Business Lines

The FMB 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>
Supporting other governments and organizations	<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>

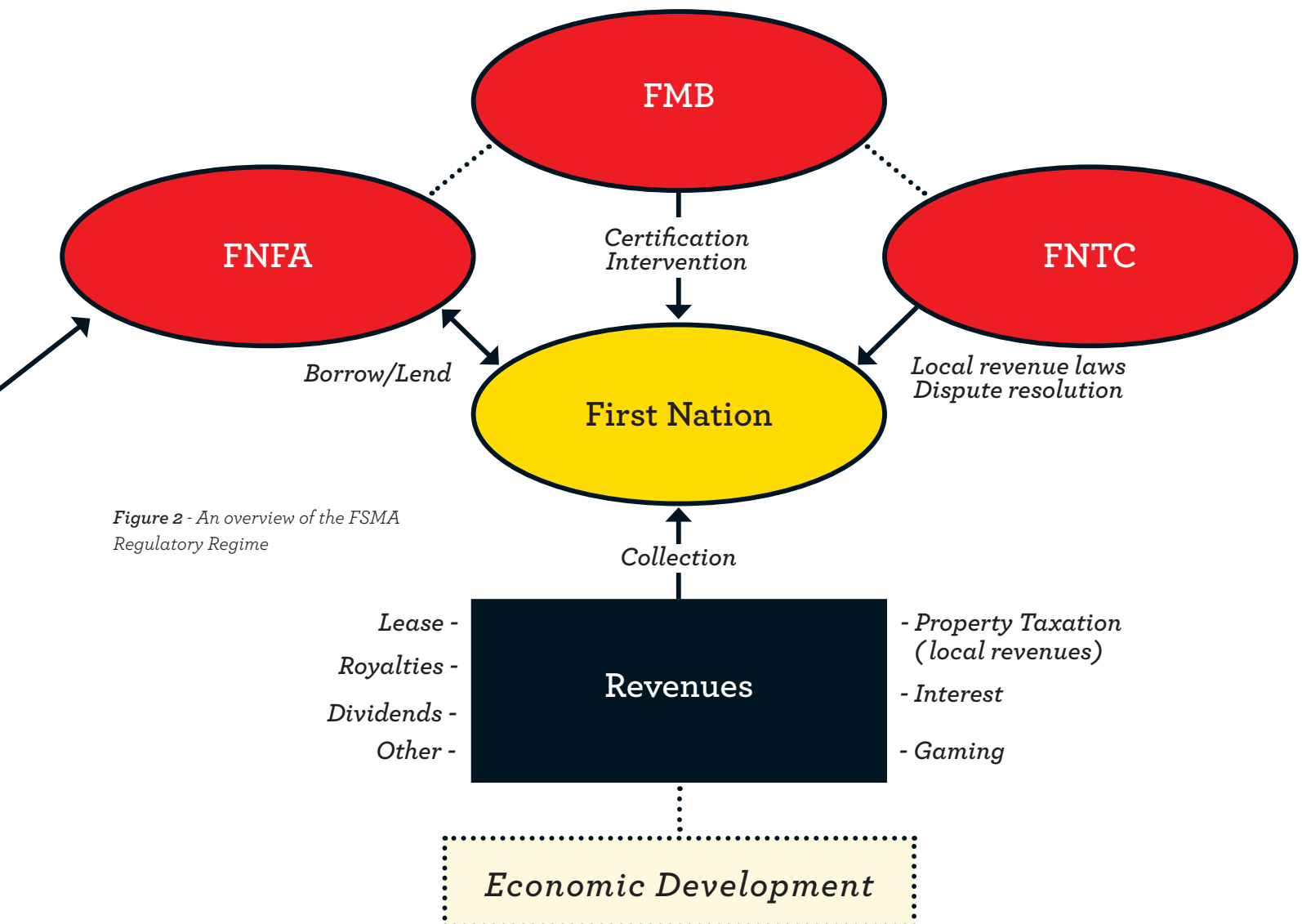
*Table 1 - Summary of Objectives by Business Line*



# Borrowing

## through the FSMA

The FMB is part of the regulatory regime established by the *FSMA* that enables First Nations to finance public infrastructure by pledging either (a) property tax revenue; or, (b) other revenues to repay the loan. First Nations interested in participating must first apply to be added to the *FSMA* schedule. **Figure 2** (right) describes the *FSMA* borrowing regime where a First Nation pledges property tax or other revenues to repay an infrastructure or economic development loan.



*Figure 2 - An overview of the FSMA Regulatory Regime*

# *Borrowing Through the FSMA*

*Continued...*

In order for First Nations to pledge property tax or other own source revenues for loans through the *FSMA* legislative program, the First Nation must become a “borrowing member” of the First Nations Finance Authority (FNFA). Before a First Nation is eligible to be considered for membership in the FNFA, the FMB must issue a certificate to the First Nation indicating that it meets the standards set by the FMB.

The FMB has issued Financial Management System Standards for purposes of issuing a *Financial Management Systems Certificate* and the *Financial Performance Standards* for the purposes of issuing a First Nation Financial Performance Certificate. These certificates may be used by a First Nation to support its application to become a borrowing member of the FNFA.

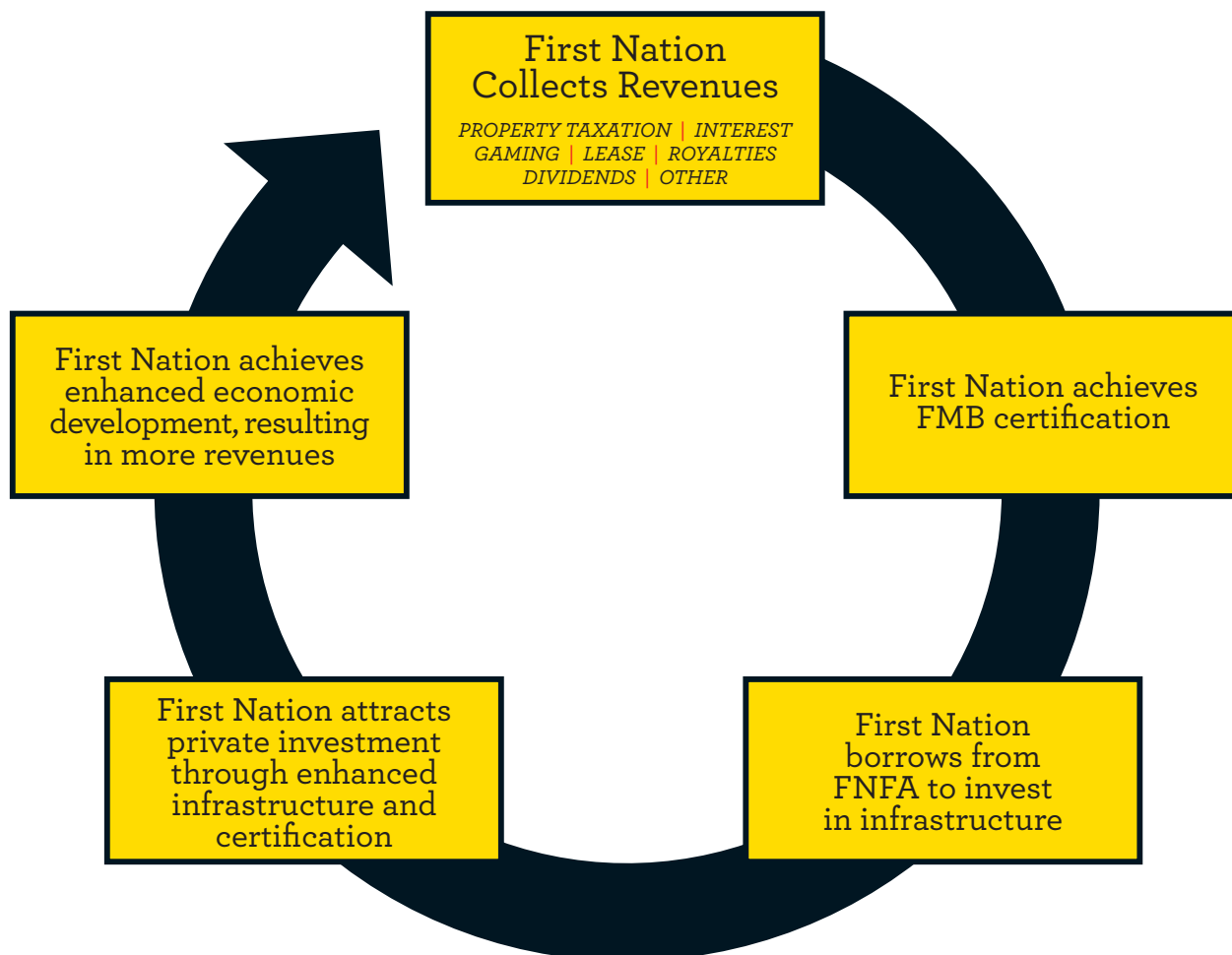
A First Nation will not be issued a Financial Management Certificate or a Financial Performance Certificate by FMB unless the First Nation’s law or laws respecting financial administration have first been reviewed and given compliance approval from FMB. The First Nation’s law or laws must meet the requirements of the *Financial Administration Law Standards* before they will be approved. The FMB has issued the *Financial Administration Law Review Procedures* to guide First Nations who are applying for approval of their Law or Laws respecting financial administration.

The 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 among the participating First Nations according to their requests and borrowing room.

The *FSMA* provides FMB with authority to require First Nations to enter co-management or third party management in three circumstances. First, the First Nations Tax Commission (FNTC) may, in certain circumstances relating to First Nation tax laws, direct the FMB to impose co-management or third party management over the First Nations local revenues. Second, the FNFA has the parallel power to direct FMB to require a First Nation to enter co-management or third party management if a Borrowing Member First Nation has not met its financial obligations. Third, the FMB can self-initiate intervention, if in their opinion; there is serious risk that a First Nation will default on an obligation to the FNFA.







*Figure 3 - FMSA Borrowing Regime Prosperity Cycle*

Figure 3 above illustrates the cycle of prosperity that the FSMA borrowing regime intends to create. A First Nation that is collecting annual own source revenues (e.g. property tax, royalties, interest) is interested in long-term financing in order to invest in capital infrastructure (ie. water and sewer system).

After passing a Financial Administration Law that complies with the FMB Financial Administration Law Standards, the First Nation achieves FMB certification by passing either the FMB Financial Management System Standards or the FMB Financial Performance Standards. At this point the First Nation applies to become a FNFA borrowing member and is able to obtain long-term capital financing at an attractive rate by pledging an

amount of its annual own source revenues. This occurs through a FNFA debenture issue to the capital markets on behalf of a pool of “borrowing member” First Nations that are seeking financing. The FNFA then provides the financing to the individual First Nations based on their respective borrowing requests.

The FNFA financing enables the First Nation to invest in the capital infrastructure (ie. water and sewer system), which then attracts private investment on the First Nation’s land. This private investment and economic development generates additional own source revenues, which allow the First Nation to invest in further infrastructure development through the FSMA borrowing regime.

# Our Core Documents

Since the FMB began operations, the Board of Directors has reviewed and approved a range of tools that First Nations have begun to use to improve their financial management systems. Listed in the table below are the FMB core documents, which are the FMB's primary body of work consisting of standards and tools, aimed at improving First Nations financial management. The FMB suite of documents is available at on the FMB website at [www.fnfmb.com](http://www.fnfmb.com)

Financial Administration Law		
A1	Financial Administration Law - Review Procedures	Procedures to apply when requesting approval of a financial administration law
A2	Financial Administration Law - Standards	Standards that would support sound financial administration practices for a First Nation government in Canada
A3	Sample Financial Administration Law	Example of a law which meets the requirements of the A2 Financial Administration Law Standards
A4	Financial Administration Law - Explanatory Notes	Provides assistance on the development of the law by discussing the structure and substantive content of the A3 Sample Law
A5	Financial Administration Law - Self-Assessment	Tool that can be utilized to compare existing or proposed financial administration law(s) to the A2 Law Standards
Financial Management System		
B1	Financial Management System - Certification Procedures	Procedures to apply when requesting approval of a financial management system
B2	Financial Management System - Standards	Standards that would support sound financial practices for the operation, management, reporting and control of a financial management system
B3	Financial Management System - Sample Policies & Procedures	Collection of sample policies and procedures that can be used or adapted to meet the B2 Financial Management System Standards
B4	Financial Management System - Self-Assessment	Tool that can be utilized to compare the existing financial management system to the B2 System Standards
Financial Performance		
C1	Financial Performance - Certification Procedures	Procedures to apply when requesting a review of financial performance
C2	Financial Performance - Standards	Standards that assess the overall financial health of a First Nation at a point in time
Local Revenue Account		
D1	Local Revenue Account - Reporting Standards	Standards that establish requirements for the financial reporting of a First Nation's local revenue account

# Results for 2011-2012

## *Supporting First Nation Governments*

FMB standards, sample laws, tools and templates are intended to support efforts to certify First Nation financial management systems and financial performance. As the first communities go through the process, it is becoming clear the work required to achieve certification. The FMB continues to review its standards and certification process to examine how improvements can be made. The FMB is also continuing to support First Nation governments through the certification process.

Performance Measure	Outcome
20 Presentations to First Nations	55
20 First Nations in Financial Administration Law (FAL) development	24
20 First Nations in Financial Management Systems Development	5
20 First Nations with Financial Performance Certificate	5
1 First Nation with Financial Management System Certificate	0
Develop Financial Systems Implementation work plan template	Complete
Develop comprehensive workshop	Complete
Host 5 workshops on FMB products and services	5 workshops held
Develop online course	Complete

## *Supporting Other Governments & Organizations*

The FMB works with other governments and organizations. This includes other fiscal institutions and the federal government.

Performance Measure	Outcome
3 Research project work plans	3
1 Master protocol agreement with Aboriginal Affairs and Northern Development Canada (AANDC)	Not yet complete
4 institutional coordination sessions	6
Host 2 information sessions with groups involved with First Nation financial management	2
Legislative review terms of reference and preparation	Complete

# *Financial Statements*

*for the year ended March 31, 2012*



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

# Independent Auditor's Report

## To the Board of the First Nations Financial Management Board

We have audited the accompanying financial statements of First Nations Financial Management Board, which comprise the Statement of Financial Position as at March 31, 2012 and March 31, 2011 and the Statements of Operations, Changes in Net Assets and Cash Flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of First Nations Financial Management Board as at March 31, 2012 and March 31, 2011 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*BDO Canada LLP*

Chartered Accountants  
VANCOUVER, BRITISH COLUMBIA

July 23, 2012

# Statement of Financial Position

March 31	2012	2011
<b>Assets</b>		
Current		
Cash (Note 1)	390,704	80,330
Accounts receivable	73,714	502,908
Prepaid expenses	34,202	37,709
	<b>498,620</b>	<b>620,947</b>
Security deposit	58,073	54,005
Capital assets (Note 2)	258,235	266,728
	<b>\$814,928</b>	<b>\$941,680</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Current		
Accounts payable and accrued liabilities	368,867	559,014
Current portion of capital lease obligation (Note 3)	11,959	11,453
	<b>380,826</b>	<b>570,467</b>
Capital lease obligation (Note 3)	18,913	30,873
	<b>399,739</b>	<b>601,340</b>
Net Assets		
Invested in capital assets	227,363	224,402
Unrestricted	187,826	115,938
	<b>415,189</b>	<b>340,340</b>
	<b>\$814,928</b>	<b>\$941,680</b>

*Approved on behalf of the Board:*

  
DIRECTOR

  
DIRECTOR

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



# Statement of Operations

For the year ended March 31	2012	2011
Revenue		
AANDC funding	4,192,552	4,098,940
Expenses		
Amortization	97,028	81,747
Client service delivery (Note 7)	219,503	260,297
Corporate services	1,183,210	896,606
Director fees and expenses	530,467	539,498
Policy development	755,486	1,079,663
Salaries and benefits	1,199,985	1,251,943
Travel	132,024	112,949
	<b>4,117,703</b>	<b>4,222,703</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$74,849</b>	<b>\$(123,763)</b>

# Statement of Changes in Net Assets

For the year ended March 31	Invested in Capital Assets	Unrestricted	2012	2011
Balance, beginning of year	224,402	115,938	340,340	464,103
Excess (deficiency) of revenue over expenses	(97,028)	171,877	74,849	(123,763)
Purchase of capital assets	88,535	(88,535)	–	–
Repayment of capital lease	11,454	(11,454)	–	–
<b>Balance, end of year</b>	<b>\$227,363</b>	<b>\$187,826</b>	<b>\$415,189</b>	<b>\$340,340</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

# Statement of Cash Flows

For the year ended March 31	2012	2011
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the period	74,849	(123,763)
Item not involving cash		
Amortization of capital assets	97,028	81,747
	<b>171,877</b>	<b>(42,016)</b>
Changes in non-cash working capital balances		
Accounts receivable	429,194	(67,185)
Prepaid expenses and security deposit	(561)	(198)
Accounts payable and accrued liabilities	(190,147)	(33)
	<b>410,363</b>	<b>(109,432)</b>
Investing activity		
Purchase of capital assets	(88,535)	(34,222)
Financing activity		
Capital lease principal payments	(11,454)	(10,969)
<b>Increase (decrease) in cash during the period</b>	<b>310,374</b>	<b>(154,623)</b>
Cash, beginning of year	80,330	234,953
<b>Cash, end of year</b>	<b>390,704</b>	<b>80,330</b>
Supplemental Information		
<b>Interest paid</b>	<b>\$1,656</b>	<b>\$2,140</b>

# Summary of Significant Accounting Policies

## *General*

The First Nations Financial Management Board (“FN-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”) in 2005, which went into effect April 1, 2006. Under the Act, the FNFMB 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 - 2 - 5 years
- Leasehold improvements - term of lease (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.

Included in capital assets is artwork, which has an indeterminable useful life and is not amortized.

## *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 FNFMB, the lease is classified as capital.

## *Revenue Recognition*

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

## *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.

# Board of Directors - Schedule

## *(Fees & Travel Expenses)*

Name (First, Last)		Board Mtg. Attended	A&R Mtg. Attended	Cap Dev Mtg. Attended
Aditya Jha	(ON)	7/11		
Barry Robb - Chair, Governance & HR	(AB)	9/11	2	2/3
Brian Titus	(BC)	9/11		
Donna Morin	(AB)	7/11	3	1/3
Gary Nott - Chair, SAC	(BC)	11/11	7/8	
Harold Calla - Chairperson	(BC)	11/11	6/8	3/3
Jim Prodger - Chair, Audit & Risk	(NS)	11/11	8/8	
Marilyn Osecap - Vice-Chairperson	(SK)	5/11	6/8	
Michelle Baptiste	(ON)	8/11	1	3/3
Romeo Crow Chief - Chair, Capacity Development	(AB)	7/11	1	3/3
Thomas Lawson #	(ON)	5/5	3/4	

^ The Chairperson of the Board serves also as the Executive Chairman, contributing actively to the corporate strategy, strategic partnerships and as primary connection with the federal government.

\* included travelling 22 times during the year to visit communities throughout Canada.

# Thomas Lawson is appointed as FNFMB Board member on September 29, 2011.

Name (First, Last)	Audit & Risk Management Committee	Capacity Development Committee	Governance & Human Resources Committee	Standards, Approvals & Certification Committee
Aditya Jha			✓	
Barrie Robb		✓	✓	✓
Brian Titus			✓	✓
Donna Morin		✓	✓	
Gary Nott	✓			✓
Harold Calla	✓		✓	✓
Jim Prodger	✓			✓
Marilyn Osecap	✓			✓
Michelle Baptiste		✓	✓	
Romeo Crow Chief		✓		
Thomas Lawson	✓			

				Travel			
	Gov H&R Mtg. Attended	SAC Mtg. Attended	Board Fees	Accommodation	Meals	Travel	Total
	2/3	3	13,750.00	1,874.18	742.80	5,160.64	7,777.62
	3/3	6/8	15,400.00	1,971.09	815.50	6,467.54	9,254.13
	1/3	7/8	13,750.00	2,388.96	917.70	4,845.96	8,152.62
	2/3	4	4,950.00	1,923.49	266.25	3,107.40	5,297.14
	1	8/8	43,725.00	1,000.67	344.35	6,323.82	7,668.84
	3/3	8/8	153,200.00 ^	5,601.73	915.13	60,164.72 *	66,681.58
	2	8/8	26,125.00	3,256.72	1,522.80	24,357.71	29,137.23
		5/8	16,750.00	2,837.18	962.55	6,307.21	10,106.94
	2/3	2	15,675.00	2,374.85	916.85	18,372.42	21,664.12
		3	13,200.00	2,376.52	889.00	7,545.22	10,810.74
		4	19,800.00	1,837.56	1,397.00	6,743.03	9,977.59
			336,325.00	27,442.95	9,689.93	149,395.67	186,528.55

# *New Accounting Pronouncements*

## *Future Direction of Standards for Not-for-Profit Organizations*

Accounting Standards Board has issued new accounting and financial reporting requirements for NPOs in Part III of the CICA Handbook. The standards to be followed are essentially the relevant standards from Part II for private enterprises plus NPO-only standards in Part III including the current Section 4400 series of standards with minor modifications. The CICA has stated that any NPO could elect to follow IFRS if they should so desire. The first financial statements required to be prepared under the new accounting framework are those for the fiscal year beginning April 1, 2012. The impact of the transition on the financial statements is currently being evaluated.



# Notes to Financial Statements

March 31, 2012

## 1. Cash

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

## 2. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2012	Net Book Value 2011
Computer equipment	233,217	126,583	106,634	83,082
Leasehold improvements	170,604	116,007	54,597	62,596
Office furniture and fixtures	122,415	58,642	63,773	76,014
Office equipment under capital lease	59,026	27,545	31,481	43,286
Artwork	1,750	–	1,750	1,750
	<b>\$587,012</b>	<b>\$328,777</b>	<b>\$258,235</b>	<b>\$266,728</b>

## 3. Obligation Under Capital Lease

FNFM 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
2013	13,109
2014	13,109
2015	6,553
	<b>32,771</b>
Less: imputed interest	<b>(1,899)</b>
	<b>30,872</b>
Less: current portion	<b>(11,959)</b>
	<b>\$18,913</b>

## 4. Commitments

The Board leases its office premises under a lease agreement expiring in fiscal 2017. 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
2013	101,285
2014	101,285
2015	101,285
2016	101,285
2017	8,440
	<b>\$413,580</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

# Notes to Financial Statements

*Continued...*

## 4. Commitments (continued)

The Board leases its office premises for additional space under a lease agreement expiring fiscal 2017. 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
2013	28,168
2014	28,168
2015	28,839
2016	30,180
2017	2,515
	<b>\$117,870</b>

## 5. Fair Value of Financial Instruments

The fair value of financial instruments at March 31, 2012 and 2011 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.

## 6. Economic Dependence

Operations of FNFMB are dependent on continued funding from the AANDC to carry out its programs.

## 7. Client Service Delivery

Client service delivery involves direct costs associated with client requests for financial administration law and certification review. In addition, it covers support activities provided to First Nations 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.

## 8. Capital Disclosures

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, 2012. FNFMB 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  
Saskatchewan

Gary Nott, CA  
British Columbia

Jim Prodger, CAFM  
Nova Scotia

Barrie Robb, BA, MPA, MIR  
Alberta

Aditya Jha, MSc, PG Diploma, Comp Sc.  
Ontario

Romeo Crow Chief, CAFM  
Alberta

Brian Titus, CAFM  
British Columbia

Tom Lawson, OSJ, CD  
Ontario

## **Staff**

Walter Schneider, CA  
*Chief Executive Officer*

Gabrielle Ollinger  
*Director, Stakeholder Relations  
and Initiatives*

Maureen Thomas  
*Manager, Corporate and Privacy  
Officer*

Ouray Clark, MBA  
*Manager, Certifications*

Shayla Point, BA, LLB  
*Manager, Legal Services and Policy*

Jordan Wapass, MPP  
*Analyst, Special Projects & Research*

Anita Lin, CGA  
*Senior Financial Officer*

Nola Latimer  
*Receptionist*

## **Advisors**

Singleton Urquhart  
Bonita Thompson – *Senior Legal  
& Policy Advisor*  
1200 – 925 West Georgia Street  
Vancouver, British Columbia  
V6C 3L2

Gowlings Colin Brousson – *Policy  
Advisor*  
550 Burrard Street  
Suite 2300, Bentall 5  
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V7C 2B5

Deloitte  
2800 – 1055 Dunsmuir Street  
4 Bentall Centre  
Vancouver, British Columbia  
V7X 1P4

PWC  
250 Howe Street, Suite 700  
Vancouver BC Canada  
V6C 3S7

Temixw Planning Ltd.  
1006 – 100 Park Royal  
West Vancouver, British Columbia  
V7T 1A2

## **Auditors**

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V6C 3L2

## **First Nations Financial Management Board**

# 905 – 100 Park Royal  
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