

Annual Report

2012/2013

*Unlocking
Capital.*


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





JULY 13, 2012

Membertou Cuts Debt Costs with Certification from the FMB

 Membertou First Nation (NS) has now been approved to become a borrowing member of the First Nations Financial Authority (FNFA). As a borrowing member of FNFA, Membertou can anticipate their debt service costs will be cut by an estimated \$140,000 monthly.

“*Certification by First Nations Financial Management Board validated our financial management practices and stewardship. This responds to the interests of many stakeholders and allowed us access to FNFA financing.*”

- CHIEF TERRY PAUL

SEPTEMBER 14, 2012

Below Bank Prime Financing Accessed by Tzeachten First Nation

 Tzeachten First Nation (BC) became the second First Nation in Canada, working under the First Nations Fiscal Management Act (FMA), to access loan financing at rates below bank prime.

“*Never in my lifetime did I think there would come a time that Tzeachten would have access to affordable financing to enable us to complete multiple capital projects all at one time and on our terms and to be able to utilize those funds for transactions such as land acquisitions.*”

- CHIEF GLENDA CAMPBELL

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Message from the Executive Chair

Over the past year, we have experienced significant growth in terms of the number of First Nations that have demonstrated commitment to the FMB certification process. We were able to provide fourteen (14) more FMB certifications and provided compliance approval of twenty-three (23) financial administration laws.

We commend these First Nations for their efforts and congratulate them for their achievement. As of March 31, 2013 the pool of FMB-certified First Nations totalled nineteen (19), and more will be joining in 2013-2014.

We are also pleased to report that the *First Nations Fiscal Management Act* (FMA) initiative was able to "unlock capital" for three (3) First Nations this year by enabling financing at below prime rate. This new financing option is saving these First Nations hundreds of thousands of dollars a year.

We anticipate the first First Nations Finance Authority (FNFA) debenture to issue in the Spring of 2014. With the number of First Nations listed on the schedule of the FMA reaching ninety-nine (99) as of March 31, 2013 and growing, the potential exists for additional debentures in years to come.

In order to remain current with best practices in financial management, as well as the demands of the capital markets, the FMB will be making some changes to its standards in coming year. We will also continue to work with the other FMA institutions, First Nations, and other orders of government to develop an approach whereby First Nations can obtain a meaningful equity stake in projects that impact their respective territories.

Sincerely,



Harold G. Calla, FCGA, CAFM

Executive Chair





2012/13 *Operational Update*



First Nations that have achieved FMB Financial Performance Certification:



First Nations that have passed Financial Administration Laws that meet FMB FAL Standards:



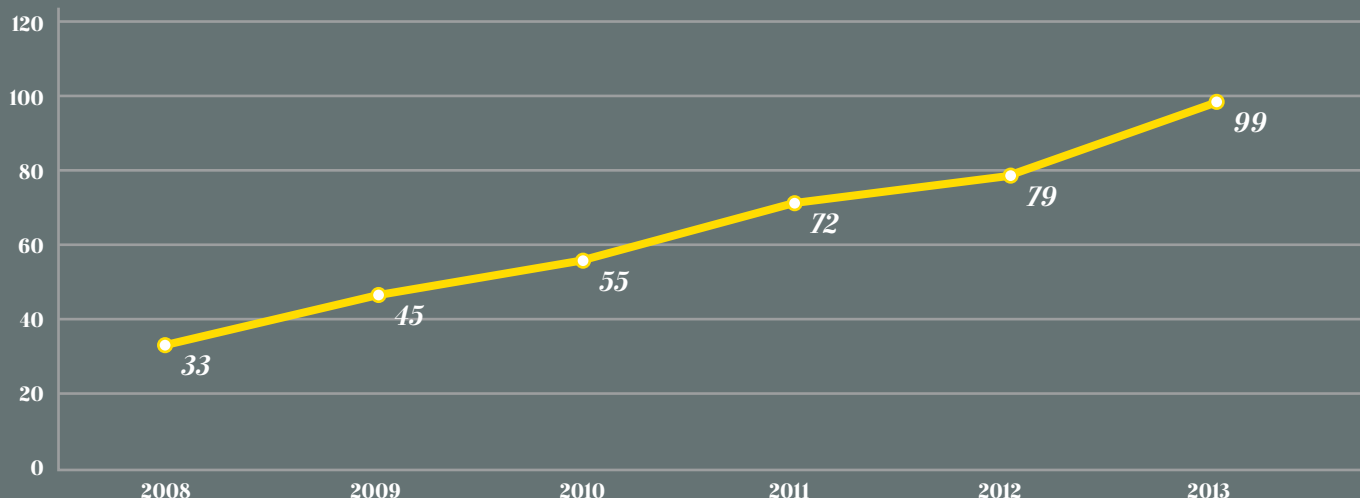
First Nations in Financial Administration Law development:



First Nations that are active FMB clients:



First Nations Scheduled to FSMA



FMB *Certified* First Nations



Millbrook First Nation

A Mi'kmaq First Nation located adjacent to the Town of Truro in Nova Scotia, has become a model community for other First Nations across Canada. Millbrook attributes much of its success to their economic development efforts.



Conseil des Montagnais du Lac St-Jean

Located on the western shore of Lake St. Jean, the Mashteuiatsh community is approximately 250 km north of Quebec City, QC. The Conseil des Montagnais du Lac St-Jean is engaging in a number of strategic initiatives such as a community development plan, partnership agreements for developments in their territory, and the First Nations Land Management Initiative.



Wasauksing First Nation

Formerly the Parry Island First Nation, the Wasauksing are situated about 130 km north of Barrie, ON. Wasauksing First Nation is the first First Nation in Ontario to become certified by the FMB, having pursued financial performance certification to demonstrate to its stakeholders that it has excellent financial practices in place.



Kitselas First Nation

The Kitselas First Nation government is situated just outside of the northern British Columbia town of Terrace, BC. Kitselas operates a successful land management and forestry operation and is developing a unique economic presence in cultural tourism.



Kitselas First Nation

Millbrook First Nation

*Conseil des Montagnais
du Lac St-Jean*

Wasauksing First Nation

What We Do

The First Nations Financial Management Board (FMB) establishes standards embraced and utilized by comparable non-First Nation governments relating to financial administration laws, financial management systems, and financial performance. First Nations that implement our standards instill confidence among their stakeholders, and are provided the opportunity to obtain long-term capital financing at terms comparable to those offered to non-First Nation governments in Canada.

First Nations Fiscal Management Act (FMA)

The FMB is a national institution created by the *First Nations Fiscal Management Act* (FMA). The FMA established the FMB and our purposes, powers and governance. The primary objective of the FMA is to improve access for First Nations to financing with terms similar to those available to other levels of government in Canada. Less expensive borrowing will enable First Nations to take advantage of economic development opportunities through the use of their own revenues in the FMA borrowing program.

Core Business

The FMB provides three services using legislative authorities:

- » **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 FMA
- » **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

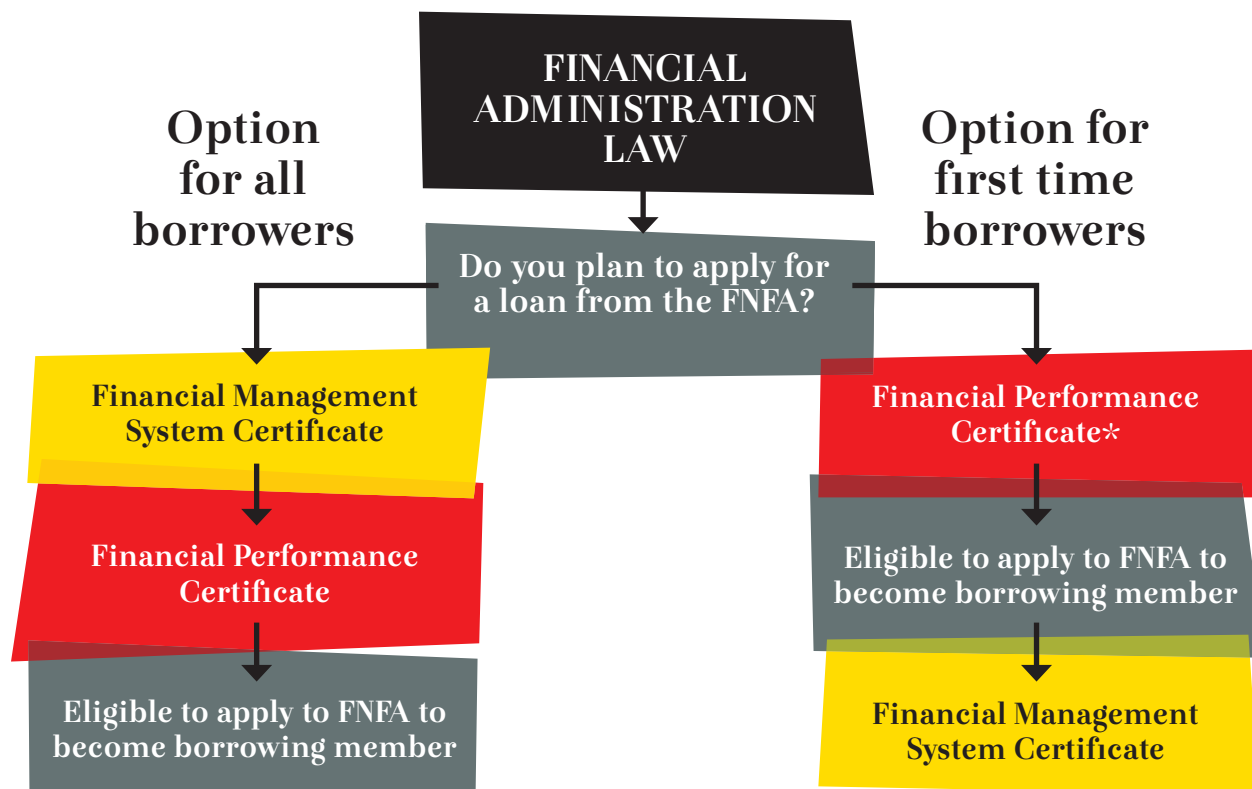
How does the FMB “unlock capital” for First Nations?

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. In order to become a FNFA borrowing member, a First Nation must achieve:

- 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 *FMA*, can request a Financial Performance Certificate in advance of a Financial Management System Certificate, but must commit to a work plan to achieve financial management system certification 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 Board of Directors

In accordance with Section 38 of the *First Nations Fiscal Management Act* (FMA), a Board of Directors manages the FMB. The FMB operates as a shared governance institution under Part 3 and 6 of the FMA. 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 FMA.

The Governor in Council (GIC) appoints the Chairperson and a minimum of five and a maximum of nine (9) other directors. The Aboriginal Financial Officers Association of Canada (AFOA), or any other body prescribed by the FMA, appoints up to three (3) additional directors.



HAROLD CALLA (*Executive Chair*) is a member of the Squamish Nation, located in North Vancouver, BC. He held the position of the Squamish Nation Surveyor of Taxes from 1993-2011 and was an elected councilor for two (2) 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.



BRIAN TITUS (*Vice-Chair*) is a Certified Aboriginal Financial Manager (CAFM). Brian is a member of the Tr'ondëk Hwëch'in First Nation of Dawson City, YT, 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 including seats as the BC AFOA Chapter President, as a Board member for Chief Isaac Incorporated, and as an advisory for the CCAB and Camosun College.



TOM LAWSON, 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, ON and a former County Councilor in Lambton, ON.



GARY NOTT was the Managing Partner of Deloitte & Touche in Western Canada until his retirement in June 2006. 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 director on the Board of a First Nation economic development corporation.



BARRIE ROBB 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. For eight (8) years he was 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.

Our Board of Directors *(continued)*



MICHELE BAPTISTE is Bear Clan and a member of the Algonquin First Nation of Pikwakanganan Ontario; her traditional name is Red Sunset Woman. She has invested the last twenty-plus (20+) years devoting herself to community development, both at grassroots and national levels through her career and volunteer efforts. During her fourteen (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 (3) years—a Director for six (6) 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, NS 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 three (3) other First Nations in the past in an advisory role. He is serving his sixth (6th) 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 four-and-a-half (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 the 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 three (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"*.



ANDRÉ RICHER (*appointed 2012-07-06*) is a member of the Algonquin Nation. André is a Chartered Administrator, a Chartered Professional Accountant, a CAFM, and a graduate of the University of Québec in Montréal. Fluent in both French and English, André has acquired over forty (40) years of regional, national and international executive level experience in accounting, finance and management in working for various entities, Government of Canada Crown corporations, private and public business corporations and various Aboriginal organizations, including the National Centre for First Nations Governance and the Assembly of First Nations. An active member of the AFOA, he is committed to the fundamental belief that education and capacity development are key to successful governance and to building social and economic prosperity within Aboriginal communities. Having lived all across Canada, on and off reserve, André currently resides in Québec providing various consulting services aimed at achieving these goals.



NANCY MURPHY (*appointed 2012-07-06*) is a member of the Seabird Island First Nation located just outside of Chilliwack, BC. Nancy is a Certified Aboriginal Financial Manager (CAFM) and a Professional Aboriginal Economic Developer (PAED), and is the proprietor of an advisory business as an advisor and mentor that provides services to a number of First Nations and organizations. Throughout Nancy's entire career spanning over twenty (20) years, she has focused on improving the quality of life for First Nations people. Nancy has extensive experience working with many First Nation governments and organizations in a variety of capacities and areas including education, health, human resources, housing, policy, financial management, capacity development, community planning, project management, economic development, land management and governance. Nancy also serves as a director for both the Seabird Island Development Corporation and Sto:lo Community Futures.

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 FMA 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 Management Act* (FMA) establishes the following mandate for the FMB (ss. 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 (FMA section 9)
 - Approval of financial administration laws that comply with the standards
 - Certification of First Nation financial management systems and financial performance (FMA section 50)
 - Financial reporting (FMA section 14)

Our Business Lines

The FMB has **3** business lines. Below is a summary of objectives by business line:

1.

SUPPORTING FIRST NATION GOVERNMENTS

- » Increase First Nation access to capital through certification
- » Strengthen First Nation financial administration by promoting sound, stable and transparent First Nation financial management systems

2.

SUPPORTING OTHER GOVERNMENTS & ORGANIZATIONS

- » Promote financial relationships between First Nations and other governments and organizations that are appropriate, effective, efficient, and mutually beneficial

3.

CORPORATE SERVICES

- » Provide the administrative resources and facilities to enable the other business lines to operate effectively



Capital Markets

Issue Bonds

Borrowing

through the FMA

The FMB is part of the regulatory regime established by the FMA 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 FMA schedule.

Figure 2 below describes the FMA borrowing regime where a First Nation pledges property tax or other revenues to repay an infrastructure or economic development loan.

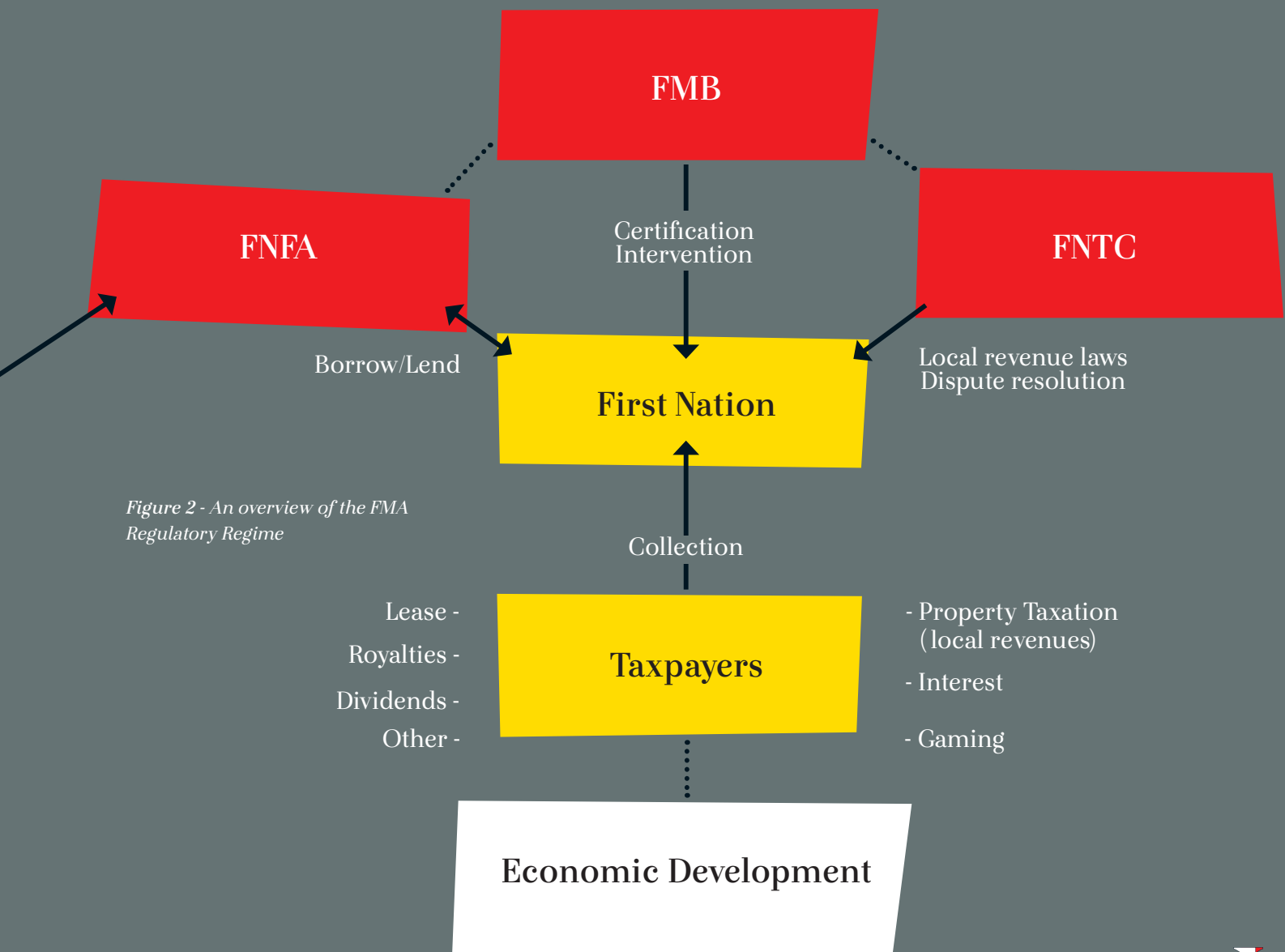


Figure 2 - An overview of the FMA Regulatory Regime

Borrowing through the FMA *(continued)*

In order for First Nations to pledge property tax or other own source revenues for loans through the FMA 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. For these purposes 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.

“*First Nations interested in participating must first apply to be added to the FMA schedule.*”

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 FMA 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.

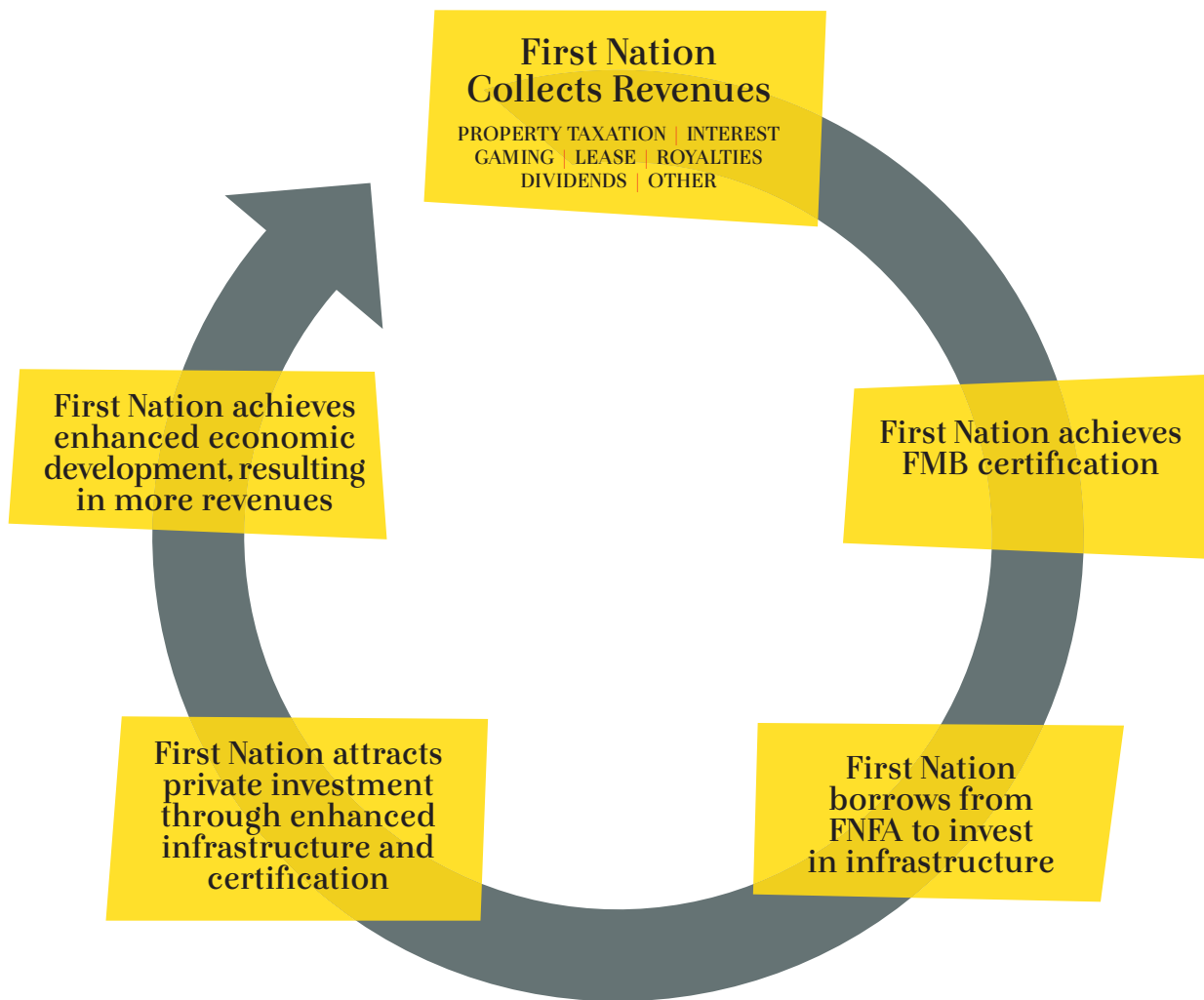


Figure 3 above illustrates the cycle of prosperity that the FMA borrowing regime intends to create. A First Nation that is collecting annual own source revenues (e.g. property tax, royalties, interest) is interested in long-term financing in order to invest in capital infrastructure (e.g. water and sewer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

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
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

Table 1 - FMB core documents

Supporting First Nation Governments

Services to borrowing and non-borrowing First Nations are provided through the *Supporting First Nation Governments* business line. This business line comprises the core work of the FMB and includes financial administration law review, certification, capacity development and co-management or third party management as required/requested. These services, with possible modifications, will also be made available to non-borrowing First Nations.

What would *motivate* a First Nation to seek FMB Services?

	Number of First Nations	Why Seek FMB Services?
In Canada	633	Improved fiscal transfer arrangements with Canada
Applied to FMA Schedule	99	Certification required to borrow
Engaged in Real Property Taxation	216	Confidence in management of property tax regime
First Nations GST Act	49	Confidence in management of sales tax revenue
First Nations Land Management Act	77	Confidence in management of revenue generated from lands under the authority of a First Nation land code
First Nations Oil and Gas Moneys Management Act	No schedule to this act	Financial code for moneys management required
First Nations Commercial and Industrial Development Act	No schedule to this act	Confidence in management of revenue raised from commercial and industrial projects
Major resource projects	Over 100	Access to capital to secure equity stake in major resource projects

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

Major Projects

The FMB is working to develop an approach that will “unlock capital” for First Nations that are impacted by large-scale economic development projects that are currently proposed in Canada. The objectives of this approach are to a) provide First Nations the opportunity to obtain meaningful equity stakes in large projects impacting their respective territories, and b) develop capacity within the First Nations.

There are a number of large-scale projects currently proposed in Canada. Some of these projects are so large that they impact the traditional territories of several First Nations. Representatives from the FMB have been contacted by First Nations who are interested in meaningful participation in energy and resource development in their traditional territories.

An approach that could facilitate meaningful participation in such projects is federal government support to secure a loan for the capital contribution required for the First Nations to purchase an equity stake in a project. On the strength of this support, a First Nations could obtain financing through the FMA borrowing regime for their contribution to the project.

In developing this approach, there are a number of important questions and areas of research that need to be examined. The FMB, as an independent body, will continue to work with the other fiscal institutions, First Nations, and the other orders of government to explore whether this approach can provide a solution for First Nations governments in obtaining a meaningful equity stake in major economic projects and provide opportunities for their members.



Supporting First Nation Governments Results for 2012-13

The Supporting First Nation Governments business line has been active developing standards, sample policies, and tools and templates that will support the delivery of key services of law approval, capacity development and certification to First Nations. The FMB has continued to work with participating First Nations to generate feedback on these documents. The FMB is working with First Nations to develop work plans and build capacity in particular areas of financial management system that are not currently at the standards set by the FMB.

Business Line	Performance Measures	As of March 31, 2013
Supporting FN Governments	20 new FAL Reviews	22 new FAL Reviews
	20 First Nations with financial management systems development program in place	2 First Nations in development of financial management systems
	20 new Financial Performance Reviews	19 new Financial Performance Reviews
	Support 20 new First Nations in FAL development	20 new First Nations in FAL development
	Complete Local Revenue Account Financial Reporting Standards	Local Revenue Account Financial Reporting Standards in progress
	2 FMB sponsored workshop events	2 FMB sponsored workshop events
	4 FMB speaking engagements at relevant conferences and forums	4 FMB speaking engagements at relevant conferences and forums
	Develop capacity development strategy/ process for First Nations that do not achieve Certification.	Capacity development strategy/process developed for First Nations that do not achieve Certification
	4 regional capacity development workshops	2 (Vancouver, Saskatchewan) regional capacity development workshops
	Develop and implement new standards, or policies, or guidance material relating to treasury management	New standards in development regarding treasury management

Table 3 - Assessment of 2012 / 2013 Results: Supporting First Nation Governments



Supporting Other Governments & Organizations

The FMB will work with other governments and organizations, as described in the table below.

Other Governments & Organizations	Relevance to FMB
First Nations Tax Commission	• Interdependent policy related to certification and intervention protocol
First Nations Finance Authority	• Interdependent policy related to certification and intervention protocol
Aboriginal Financial Officers Association	• Partnered approach to capacity development initiatives
TULO Centre for Indigenous Economics	• Partnered approach to capacity development initiatives
Canadian Executive Service Organization	• Partnered approach to capacity development initiatives
University of New Brunswick	• Partnered approach to deliver curriculum
Nicola Valley Institute of Technology	• Partnered approach to deliver curriculum
Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants	• FMB standards should be consistent with the Common Government Reporting Model
CANDO	• Cando is a national Aboriginal organization involved in community economic development.
Aboriginal Affairs and Northern Development Canada	• First Nation reporting requirements • First Nations risk assessment • AANDC co-management and third party management impacts on FMB intervention policy
Finance Canada	• Interests in improved fiscal framework and confidence in financial management of tax collection agreements
Lands Advisory Board	• Framework Agreement on Land Management includes financial administration requirements
Financial Institutions/Capital Markets	• Regulatory regime established by fiscal institutions will address interests of lenders/investors in First Nation bonds

Table 4 - Other governments or institutions working with FMB

Supporting Other Governments & Organizations Results for 2012-13

An extensive body of research has been conducted to inform the development of the FMB Financial Performance Standards. The Supporting Other Governments and Organizations business line has also been active working with the other fiscal institutions, financial institutions and credit rating agencies to seek feedback on FMB standards and intervention policy.

Business Line	Performance Measures	As of March 31, 2013
Supporting other governments and organizations	1 FMB research or position paper projects	2 FMB research or position paper projects
	Protocol agreement completed with AAN-DC relating to FMB support for intervention, financial assessment, and Funding Services Officer responsibilities	In progress
	Capacity development proposal accepted and approved by AANDC	In progress
	4 FMA institutional coordination sessions	4 FMA institutional coordination sessions
	2 additional educational institutions to deliver FMB curriculum	2 additional educational institutions confirmed to deliver FMB curriculum
	1 mock intervention – Local Revenues	Local Revenues mock intervention held
	1 mock intervention – Other Revenues	Other Revenues mock intervention held

Table 5 - Assessment of 2012 / 2013 Results: Supporting Other Governments and Organizations

Assessment of 2012/2013 Results

Corporate Services

Business Line	Performance Measures	As of March 31, 2013
Corporate Services	Annual corporate plan produced	Annual corporate plan produced
	Annual report produced	Annual report produced
	Annual general meeting held	Annual general meeting held (February 11, 2013 – Toronto, ON)
	Board strategic planning session	Board strategic planning session held (September 25, 2012 – Osoyoos, BC)
	4 board meetings	10 board meetings
	16 committee meetings	19 committee meetings
	2 newsletters produced	4 newsletters produced
	Information management system fully implemented	Information management system fully implemented
	Implement Access to Information and Privacy requirements	Access to Information and Privacy requirements implemented
	Implement recommendations from the FMB special examination (section 121 of FSMA)	Recommendations from the FMB special examination (section 121 of FSMA) implemented
	Website maintained	Website redesigned and launched
	Enterprise Risk Management (ERM) session held and recommendations approved by the Board	ERM session held at September 25, 2012 strategic planning session and recommendations incorporated into the corporate plan

Table 6 -Assessment of 2012 / 2013 Results: Corporate Services

First Nations Financial Management Board **Financial Statements**

FOR THE YEAR ENDED MARCH 31, 2013

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 Statements of Financial Position as at March 31, 2013, March 31, 2012, and April 1, 2011 and the Statements of Operations, Changes in Net Assets and Cash Flows for the years ended March 31, 2013 and 2012, 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 accounting standards for not-for-profit organizations, 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 audits. 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 audits 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, 2013, March 31, 2012, and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia

July 22, 2013

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Statement of *Financial Position*

	March 31, 2013	March 31, 2012	April 1, 2011
ASSETS			
CURRENT			
Cash (Note 3)	863,147	390,704	80,330
Accounts Receivable	60,904	73,714	502,908
Prepaid Expenses	33,125	34,202	37,709
	957,176	498,620	620,947
SECURITY DEPOSIT	58,073	58,073	54,005
CAPITAL ASSETS (NOTE 3)	234,333	258,235	266,728
	1,249,582	814,928	941,680
LIABILITIES & NET ASSETS			
LIABILITIES			
CURRENT			
Accounts Payable And Accrued Liabilities	717,341	326,625	532,990
Due To Related Parties (Note 7)	10,402	42,242	25,956
Government Remittances Payable	16,516	–	68
Current Portion Of Capital Lease Obligation (Note 5)	12,941	11,959	11,453
	757,200	380,826	570,467
CAPITAL LEASE OBLIGATION (NOTE 5)	49,155	18,913	30,873
	806,355	399,739	601,340
NET ASSETS			
Invested In Capital Assets	172,237	227,363	224,402
Unrestricted	270,990	187,826	115,938
	443,227	415,189	340,340
	1,249,582	814,928	941,680

Approved on behalf of the Board:


DIRECTOR


DIRECTOR

Statement of *Operations*

For the year ended March 31	2013	2012
REVENUE		
AANDC funding	4,264,058	4,192,552
Other	613	–
	4,264,671	4,192,552
EXPENSES		
Amortization	96,971	97,028
Client service delivery (Note 9)	811,020	219,503
Corporate services	1,023,862	1,183,210
Director fees and expenses	608,907	530,467
Policy development	342,281	755,486
Salaries and benefits	1,267,241	1,199,985
Travel	86,351	132,024
	4,236,633	4,117,703
Excess of revenue over expenses	28,038	74,849

Statement of *Changes in Net Assets*

For the year ended March 31	Invested in Capital Assets	Unrestricted	Total
Balance, April 1, 2011	224,402	115,938	340,340
Excess (deficiency) of revenue over expenses	(97,028)	171,877	74,849
Purchase of capital assets	88,535	(88,535)	–
Repayment of capital lease	11,454	(11,454)	–
Balance, March 31, 2012	227,363	187,826	415,189
Excess (deficiency) of revenue over expenses	(96,971)	125,009	28,038
Purchase of capital assets	29,634	(29,634)	–
Repayment of capital lease	12,212	(12,212)	–
Balance, March 31, 2013	172,238	270,989	443,227

Statement of *Cash Flows*

For the year ended March 31	2013	2012
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess of revenues over expenses for the period	28,038	74,849
Item not involving cash		
Amortization of capital assets	96,971	97,028
	125,009	171,877
Changes in non-cash working capital balances		
Accounts receivable	12,810	429,194
Prepaid expenses and security deposit	1,077	(561)
Accounts payable and accrued liabilities	375,393	(190,147)
	514,289	410,363
INVESTING ACTIVITY		
Purchase of capital assets	(29,634)	(88,535)
FINANCING ACTIVITY		
Capital lease principal payments	(12,212)	(11,454)
INCREASE IN CASH DURING THE PERIOD	472,443	310,374
CASH, beginning of the year	390,704	80,330
CASH, end of year	836,147	390,704

Notes to *the Financial Statements*

March 31, 2013

1. Nature of Operations and Summary of Significant Accounting Policies

a) Nature and Purpose of the Organization

The First Nations Financial Management Board ("FNFB" 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 FNFB provides tools for modern fiscal management, improving the investment climate and promoting economic growth on Reserves across Canada.

b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations ("ASNPO"). These are the Board's first financial statements prepared in accordance with ASNPO which have been applied retrospectively. An explanation of how the transition to ASNPO has changed the Board's financial position, financial performance and cash flow is set out in Note 2.

c) 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.

d) 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.

e) 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.

f) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains or losses reported in operations. In addition, all bonds and guaranteed investments certificates have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at costs or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statements of financial position date and charged to the financial instrument for those measured at amortized cost.

g) Use of Estimates

In preparation of financial statements in accordance with Canadian accounting standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Adoption of Accounting Standards for Not-for-Profit Organizations

Effective April 1, 2012, the Board adopted the requirements of the new accounting framework, Canadian Accounting Standards for Not-For-Profit Organizations (ASNPO) found in Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook. These are the Board's first financial statements prepared in accordance with this framework. The accounting policies set out in Note 1 - Significant Accounting Policies have been applied in preparing the financial statements for the year March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and the preparation of an opening ASNPO statement of financial position at the date of transition of April 1, 2011.

The Board issued financial statements for the year ended March 31, 2012 using general accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Prechangeover Accounting Standards. The adoption of ASNPO resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenses and cash flows of the Association. As such, there are no charges to net assets at the date of transition of April 1, 2011. Excess of revenue over expenses reported in the Board's most recently issued financial statements is the same as the excess of revenue over expenses under ASNPO for the same period.

Notes to *the Financial Statements* (continued)

March 31, 2013

3. Cash

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

4. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2013	Net Book Value 2012	Net Book Value 2011
Computer equipment	241,404	163,112	78,292	106,634	83,082
Leasehold improvements	175,288	150,597	24,691	54,597	62,596
Office furniture and fixtures	139,798	71,753	68,045	63,773	76,014
Office equipment under capital lease	68,394	6,839	61,555	31,481	43,286
Artwork	1,750	—	1,750	1,750	1,750
	626,634	392,301	234,333	258,235	266,728

5. Obligation Under Capital Lease

FNFB leases a photocopier at an interest rate of 3.62%. The lease matures October 30, 2017.

The future annual capital lease principal payments in each of the fiscal years ending March 31 under the agreement until maturity are as follows:

Year	Amount
2014	12,946
2015	13,421
2016	13,914
2017	14,425
2018	7,390
	62,096
Less: current portion	(12,941)
	49,155

March 31, 2013

6. 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
2014	101,285
2015	101,285
2016	101,285
2017	8,440
	312,295

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
2014	28,168
2015	28,839
2016	30,180
2017	2,515
	89,702

7. Due to Related Parties and Related Party Transactions

The related parties listed are connected through: sharing the same board member or director, or employ an immediate family member of the Board. Related party transactions consist of consulting and advisory services. All transactions are recorded at the carrying amount.

	2013	2012	2011
Advances due to related party's are as follows:			
Temixw Planning Ltd.	10,402	36,400	1,811
Rimrock Consulting Limited	–	5,842	–
AFOA Canada	–	–	24,145
	10,402	42,242	25,956
	2013	2012	2011
The Board (received) paid to related parties the following amounts:			
Temixw Planning Ltd.	240,017	184,998	100,029
Rimrock Consulting Limited	16,365	34,260	–
Dan Ollinger	23,920	46,114	40,961
AFOA Canada	–	–	23,275
	280,302	265,372	164,265

Notes to *the Financial Statements* (continued)

March 31, 2013

8. Economic Dependence

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

9. 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.

10. Financial Instrument Risk

The Association through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2013.

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Board is not exposed to interest risk as it has no long or short term debt.

(b) Credit Risk

Credit risk is the risk that the Board will incur a loss due to the failure by its debtors to meet their contractual obligations. The Board is exposed to credit risk arising from its accounts receivable, however, as the balance is insignificant, the Board is not exposed to credit risk.

(c) Liquidity Risk

Liquidity risk is the risk that the Board will not be able to meet its obligations as they fall due. The Board maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

Directors

Harold Calla, CGA, CAFM
Executive Chair
British Columbia

Brian Titus, CAFM
Vice-Chair
British Columbia

Michele Baptiste
Ontario

Gary Nott, CPA, CA, CAFM
British Columbia

Jim Prodger, CAFM
Nova Scotia

Barrie Robb, BA, MPA, MIR
Alberta

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

Romeo Crow Chief, CAFM
Alberta

Tom Lawson, OSJ, CD
Ontario

André Richer, C.Adm., CPA, CGA, CAFM
Quebec

Nancy Murphy, CAFM, PAED
British Columbia

First Nations Financial Management Board

905 – 100 Park Royal
West Vancouver, British Columbia
V7T 1A2

Tel: (604) 925-6665
Toll free: 1 (877) 925-6665
Fax: (604) 925-6662

e-mail: mail@fnfmb.com
website: www.fnfmb.com

Staff

Harold Calla, CGA, CAFM
Executive Chair

Scott Munro, CA
Director, Standards & Certification

Maureen Thomas
Manager, Corporate & Privacy Officer

Shayla Point, BA, LLB
Senior Manager, Legal & Corporate Services

Crystal Penney, CA
Manager, Financial Management Systems

Laurie Bonacci
Administrative Officer, Legal & Corporate Services

Jordan Wapass, MPP
Analyst, Special Projects & Research

Anita Lin, CGA
Senior Financial Officer

Natani Leach
Administrative Assistant

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
Vancouver, British Columbia
V7C 2B5

Gowlings
Genevieve Cloutier – *French Advisor*
3700-1 Place Ville Marie
Montreal, Quebec
H3B 3P4

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

BDO Dunwoody
600 Cathedral Place – 925 West Georgia St.
Vancouver, British Columbia
V6C 3L2



Suite 905 - 100 Park Royal South, West Vancouver, BC V7T 1A2
PHONE: 604.925.6665 **TOLL FREE:** 1.877.925.6665 **FAX:** 604.925.6662 **EMAIL:** mail@fnfmb.com
www.fnfmb.com