



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

## Achieving Excellence Through Financial Management Systems

FMB Annual Report 2015/2016

# Helping First Nations Build Capacity In Financial Management

The First Nations Financial Management Board (FMB) provides the tools and guidance to support First Nations to develop and implement their financial management systems. As a national First Nation service organization, we are committed to the core values of integrity, being responsive and relevant. First Nations that achieve FMB certification are able to access affordable long-term financing similar to other levels of government.





## Table of Contents

4	<b>Message From The Executive Chair</b>
5	<b>FMB At A Glance</b>
7	<b>FMB Achievements 2015/16</b>
8	<b>Who We Are</b>
8	FMB Board Of Directors
9	FMB Board Committees
10	The Leadership Team
14	<b>Achieving Excellence through Financial Management Systems</b>
15	Membertou First Nation: Putting An End To Doing It The Hard Way
16	Lil'wat Nation: Ensuring Best Financial Practices And Accountable Governance
17	Tsleil-Waututh Nation: Planning Beyond The 7 <sup>th</sup> Generation
19	<b>Supporting And Accelerating First Nations Economic Opportunities</b>
19	The Strategic Partnerships Initiative
20	<b>Moving Beyond The Status Quo</b>
21	<b>Tools And Resources</b>
22	<b>Our Corporate Profile</b>
22	FMB's Mandate
22	Agencies and Organizations Working with The FMB
23	<b>FMB's Performance in 2015/16</b>
26	<b>Financial Report</b>

# Message From The Executive Chair

In 2015/16, the First Nations Financial Management Board (FMB) continued to expand its national presence by responding to First Nations' requests for services to build financial management systems (FMS). These systems support First Nations efforts to achieve their economic aspirations. The FMB worked with First Nations governments by implementing sound governance and Financial Administration Laws (FALs). This, together with the FMB Financial Performance (FP) Certificate, enabled the accessing of long-term, affordable capital necessary to develop the infrastructure needed to respond to economic and community development opportunities.

The FMB currently assists an active client base of 144 First Nations in navigating the processes to develop and implement FALs and obtain FP and FMS certification. Over the course of 2015/16, the FMB raised its national profile and presence across Canada, held its Second Annual FMS Conference and Workshop in Winnipeg, and saw its client base grow by nearly 20 per cent.

We proudly issued our first two FMS certifications to Membertou First Nation in Nova Scotia and Lil'wat Nation in British Columbia. Our certification processes help our clients implement the principles of effective fiscal stewardship, sound governance, accountable leadership and supported their capacity development needs to achieve these milestones.

The FMB was invited by the Standing Senate Committee on Aboriginal People's to give testimony for their study *On-Reserve Housing and Infrastructure: Recommendations for Change*. The report estimated that the current infrastructure deficit First Nations are facing is upwards of \$10 billion, a deficit transfer payments seem unable to address. In our testimony, FMB pointed to the requirement for new procurement and funding approaches. This deficit can in part be addressed through the First Nation's Financial Authority (FNFA). Securitizing capital contributions will allow the First Nations to accelerate capital projects procurement for economic and community development needs.

The FMB provided administrative and technical assistance to the newly-formed First Nations Major Projects Coalition (FNMPC), through Canada's *Strategic Partnerships Initiative* (SPI). This group was formed to allow First Nations to make their own informed decisions regarding their participation in economic development opportunities within their traditional territories.

First Nations who choose to work with the FMB develop the capacity needed to have sound governance and financial practices that build confidence in decision making and increase financing opportunities. As we move into 2016/17, we look forward to supporting and guiding our clients' continued success.

Sincerely,



Harold G. Calla  
Squamish Nation, British Columbia | CPA, FCGA, CAFM  
Executive Chair

“The winds are changing. Canada is recognizing the need to change its fiscal relationships with First Nations, and First Nations are recognizing their economic potential.”





# FMB At A Glance

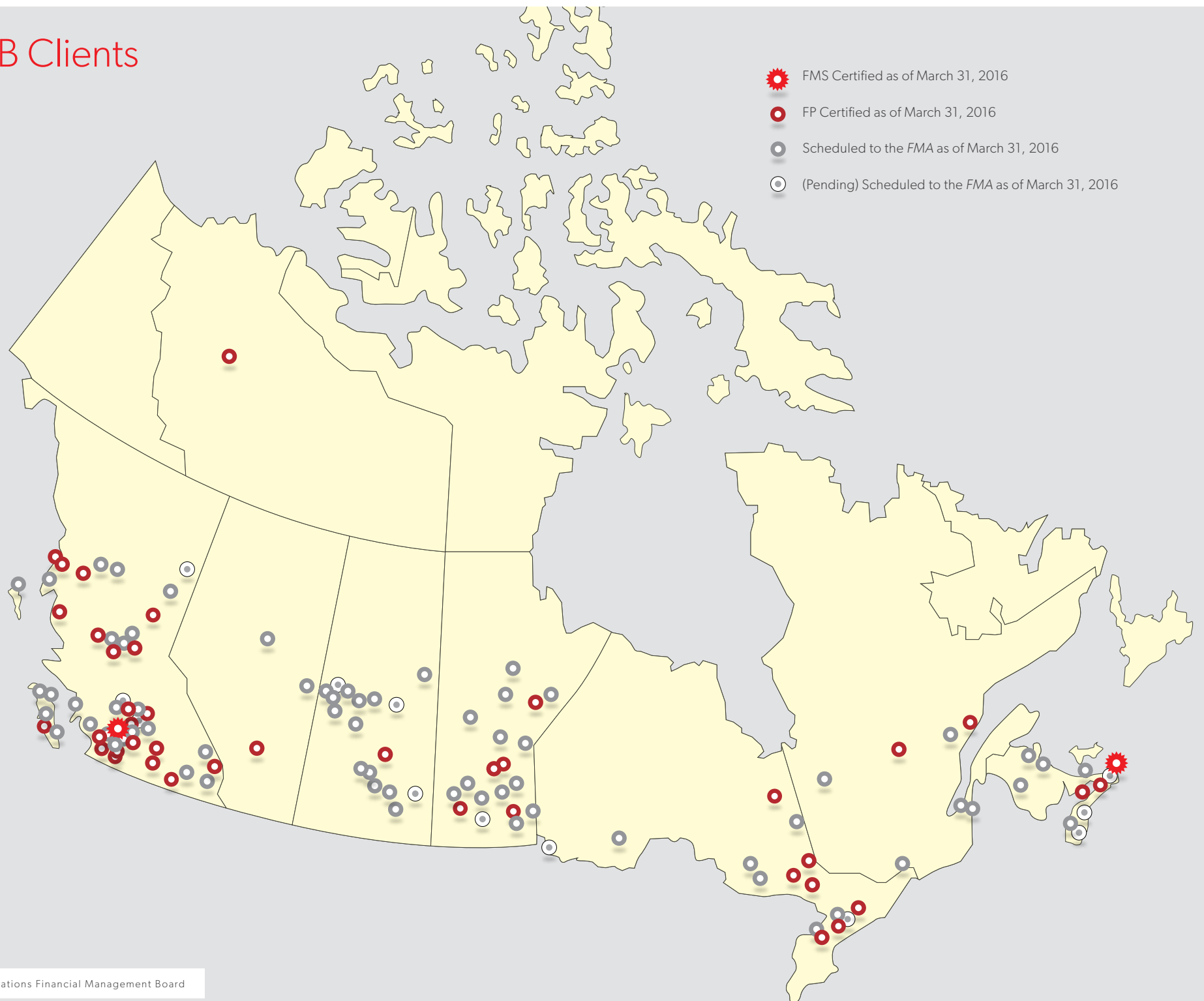
177 First Nations Scheduled to the  
*First Nations Fiscal Management Act (FMA)*

77 Financial Administration Laws

68 Financial Performance Certificates

2 New Financial Management System Certificates

# FMB Clients



# FMB Achievements 2015/16



33

Letters of Cooperation signed

17

New Financial Administration Laws approved

16

New Financial Performance Certificates issued

2

New Financial Management Certificates issued

Expanded national presence (NWT, MB, ON, QC)

Hosted Second Annual Financial Management System Conference & Workshop

Hosted first Marketing Conference in Manitoba

Completed major research related to Financial Management System Costs and Intervention Prevention



# Who We Are

## FMB Board Of Directors



**Harold Calla**

Executive Chair | Squamish Nation, British Columbia | CPA, FCGA, CAFM

*Marketing & Capacity Development Committee | Standards, Approvals & Certification Committee | Executive Committee*



**Brian Titus**

Vice-chair | Tr'ondëk Hwëch'in First Nation of Dawson City, Yukon Territory | CAFM

*Audit & Risk Management Committee | Marketing & Capacity Development Committee | Standards, Approvals & Certification Committee*



**Gary Nott**

Vancouver, British Columbia | CPA, CA, CAFM

*Audit & Risk Management Committee | Standards, Approvals & Certification Committee | Executive Committee*



**Barrie Robb**

Calgary, Alberta | BA, MPA, MIR

*Marketing & Capacity Development Committee | Governance & Human Resources Committee | Standards, Approvals & Certification Committee | Executive Committee*



**Jim Prodger**

Truro, Nova Scotia | CAFM

*Audit & Risk Management Committee | Standards, Approvals & Certification Committee | Executive Committee*



**Nancy Murphy**

Seabird Island First Nation, British Columbia | CAFM, PAED

*Marketing & Capacity Development Committee | Audit & Risk Management Committee | Executive Committee*



**André Richer**

Algonquin, Québec | C.Adm., CPA, CGA, CAFM

*Audit & Risk Management Committee | Standards, Approvals & Certification Committee*



**Deanna Muise**

Métis, Alberta | CPA, CA, TEP

*Governance & Human Resources Committee | Standards, Approvals & Certification Committee*



**Joanna Bernard**

Madawaska Maliseet First Nation, New Brunswick | Certified EDO

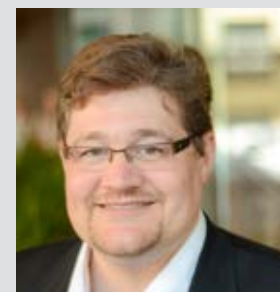
*Governance & Human Resources Committee | Marketing & Capacity Development Committee*



**Dana Soonias**

Red Pheasant Cree Nation, Battleford, Saskatchewan | CAFM

*Governance & Human Resources Committee | Marketing & Capacity Development Committee*



**Geordie Hungerford**

Gwich'in First Nation of the Northwest Territories and Yukon | CFA, CAIA, LLB

*Governance & Human Resources Committee | Standards, Approvals & Certification Committee*



**Judy White**

Mi'kmaq, Flat Bay Band, Newfoundland and Labrador | LLB

*Governance & Human Resources Committee | Standards, Approvals & Certification Committee*



# FMB Board Committees



## Board Of Directors

Executive Chair

Chief Operating Officer (COO)

# The Leadership Team

## Message From The A/Director Of Market Development, Financial Administration Laws & Stakeholder Relations

The Market Development, Financial Administration Laws & Stakeholder Relations business line is responsible for primary interaction between the FMB and its clients, but it also has an expanded function of introducing the FMB to the greater public. Activities include marketing and outreach to grow and maintain the FMB client base, presentation on financial administration laws, client visits, follow-up, and attending and hosting gatherings.

I am excited to report that the number of First Nations participating in the *FMA* continues to grow by increased numbers of First Nations being scheduled to the *FMA*, passing FALs, and FP Certification and FMS Certification. As of March 31, 2016, 177 First Nations have elected to be added to the Schedule of the *FMA*, an increase of 30 First Nations over the last year.

More than 30 Letters of Cooperation from First Nations were signed which indicates a community's interest in developing a FAL and confirms interest in seeking FP and FMS Certification. The primary reason that many First Nations chose to work with the FMB is to establish good governance, transparency, and accountability that results from enacting a FAL and obtaining the FMS Certification. Many other communities will use the FP Certification to borrow from the FNFA. The commitment made by First Nations to engage with the FMB demonstrates their understanding of the wisdom of investing in themselves.

The FMB has created two versions of a Sample FAL for First Nations (one version for those communities that are raising local revenues and other version for those communities that choose not to raise local revenues). In each case, First Nations can seek FAL approval, FP and FMS Certification.

We focused our efforts this year on increasing the FMB's national presence. Over the next year, we will continue in this exciting direction. Moving into 2016/17, we will continue to develop new ways to continue streamlining processes, making it easier for First Nations to obtain certification.

Sincerely,



Shayla Point  
Musqueam, British Columbia | BA, LLB



“

The FMB offers a pathway for First Nations to move themselves beyond the status quo and toward economic self-sufficiency.

# Message From The A/Director Of Capacity Development & Intervention

Capacity Development & Intervention supports First Nations in building their financial management capacity. This business line provides client support through tools and templates, workshops, tutorials, webinars and research that supports clients as they implement their financial management systems.

The Capacity Development & Intervention (CDI) business line's vision is to support First Nations as they work to develop effective financial management systems.

In 2015/16, our most significant CDI event was the Second Annual FMS Conference & Workshop in Winnipeg whereby 60 delegates from seven provinces and one territory were in attendance. The FMB also provided funding support to 40 First Nations to continue moving forward with the certification process.

The CDI client base is increasing dramatically and the FMB is poised to meet their capacity development needs. In 2016/17, our efforts will be focused on continuing to bridge the geographic diversity of our client base through the leveraging of technology. We will be working towards launching our new interactive website in early 2017/18 that will include a suite of digital tools including instructional videos, tutorials and a "dashboard" to accompany our clients throughout the certification process.

In addition to hosting our Third Annual FMS Conference & Workshop in 2016/17, we will hold a risk management webinar for our clients in collaboration with the Tulo Centre of Indigenous Economics as well as publish our technical video on the Finance & Audit Committee function.

The winds are changing. Canada is recognizing the need to change its fiscal relationships with First Nations, and First Nations are recognizing their economic potential. By building capacity, the CDI business line helps First Nations to build prosperous and sustainable economic futures.

Sincerely,



Suzanne Trotter  
Métis, Manitoba | CFA, MBA



“

Sound financial management systems are the foundation of healthy and vibrant First Nations and the FMB is proud to support First Nations in building these systems.

# Message From The Director Of Standards & Certification

The Standards & Certification business line establishes standards for financial administration laws, financial management systems, financial performance and the reporting of local revenues, and provides certification services in relation to those standards where applicable.

In 2015/16, Standards & Certification saw two of the FMB's clients achieve FMS Certification, the first of its kind anywhere in the world, and an indication that First Nations are demonstrating financial best practices in an environment of accountability and transparency.

During that time we also performed 19 financial reviews resulting in 16 FP Certificates being issued, developed 21 FMS work plans, prepared 17 FMS self-assessments and performed 7 FMS reviews. As well, we completed and implemented the FMB's FMS Certification methodology and released a new set of Local Revenue Financial Reporting Standards and Standard Setting Guidelines.

Over the past year, many of our clients began the journey of working towards FMS Certification. In developing and adopting FALs, they took the first steps towards financial transparency, accountable governance and sustainable economic development.

Over the next year, we'll be exposing for comment some proposed amendments to improve certain standards and supporting a growing number of clients who are striving to achieve both FP and FMS Certification. Having adopted a stronger, yet more streamlined framework for FMS Certification, we move on to 2016/17 better prepared to support our clients in achieving their certification goals

Sincerely,



Scott Munro  
Liard First Nation, Yukon Territory | CPA, CA, CAFM



“

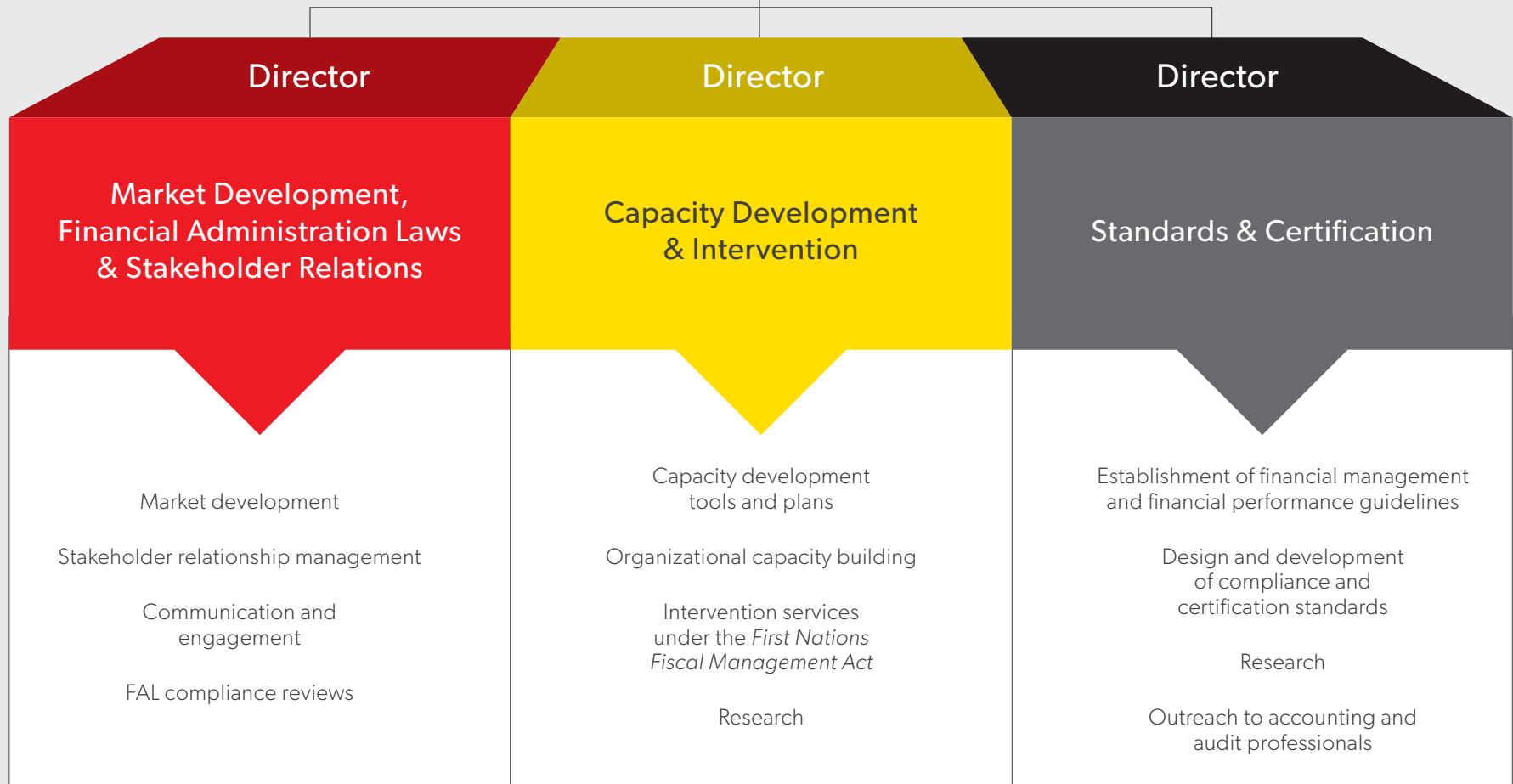
The FMB's Standards for First Nations is the first of its kind in the world. These Standards support First Nations in building sound governance and financial management systems based on leading best practices.



# The Leadership Team

Executive Chair

Chief Operating Officer (COO)



The FMB's other business lines supporting its mandate include Legal Services, Corporate Services and Strategic Capacity and Economic Development.

# Achieving Excellence through Financial Management Systems

Every First Nation is unique and at a different stage of economic development. The FMB supports First Nations to help them move from where they are to where they want to be.

For some Nations, the goal of working with the FMB is to be able to access affordable, long-term capital to address infrastructure issues. For Ontario's Nipissing First Nation, which is on its way to FMS Certification, increased access to long-term capital has yielded exciting results.

For other Nations, the goal of obtaining FMS Certification is to create a government that is accountable to the community, transparent in its financial management and prepared to achieve maximum benefits from partnerships and involvement in economic development opportunities. The FMB is proud to profile three First Nations who have met the challenges of FMS Certification and are moving towards their goals of economic sustainability.

“The financial management system certification process has made us more aware of the importance and value of the systems that we are running. We are a much stronger organization that is able to serve our members more effectively.

Dwayne Nashkawa, Chief Executive Officer,  
Nipissing First Nation



# Membertou First Nation: Putting An End To Doing It The Hard Way

In 1995, Membertou First Nation, an urban Mi'kmaw community located 3 km north of Sydney, Nova Scotia had an operating budget of \$4 million and was \$1 million in debt. Last year, Membertou's total gross revenues were \$57 million and an \$8.2 million surplus was realized. A trade and convention centre, a real estate company and a commercial fishery are among the Nation's many diverse holding — in all, the Nation has 13 corporate divisions.

The community of 1,400 has expanded its economy as long-time CFO and community member Mike McIntyre emphatically states, "The hard way." For more than 20 years, Membertou fostered community and economic development using loans with five-year terms.

"We were asset rich but cash poor," explains McIntyre. "Loans amortized over five years don't do much for your cash flow. We were lucky we had contractors who were willing to accept partial and deferred payments. It was pure stress a lot of days, without time to do proper thinking, planning and strategizing — instead just worrying about what was in the bank."

Receiving the FMB's first ever FMS Certification earlier this year has provided Membertou with access to long-term, affordable capital through the FNFA. This has already allowed the band to refinance, freeing up \$140,000 a month to reinvest in business development. Projects that have benefitted from the newly available 30-year lending terms include an \$8.2 million elementary school, a 90-lot housing development and a \$9.5 million highway interchange that will allow access to a future commercial development on land owned by Membertou.

"We partnered with both federal and provincial governments and contributed about a third," McIntyre says of the interchange. "This project would have been hard to finance as it's not cash generating, but will have a huge ROI (return on investment) two or three years down the road."

Moving into 2016/17, plans are underway in Membertou for a new \$21 million sports and wellness centre to break ground, a 16-lane bowling alley and new gas bar featuring other retail.

"If you ever want your community to grow and prosper FMS Certification is absolutely necessary," says McIntyre. "You need to develop community infrastructure before you can develop on-reserve economic infrastructure. If you don't have any roads and water sources you won't be able to develop an economy. And you need the long-term financing that's available from FNFA to build that infrastructure. You need FMS Certification."

“

If you ever want your community to grow and prosper FMS Certification is absolutely necessary.

Mike McIntyre, CFO  
Membertou First Nation, Nova Scotia



**Membertou**  
WELCOMING THE WORLD!



# Lil'wat Nation: Ensuring Best Financial Practices And Accountable Governance



British Columbia's Lil'wat Nation became the first First Nation in Western Canada to receive FMS Certification from the FMB. This impressive achievement was the result of four years of hard work initiated by the Nation's Finance and Administration Department.

With a membership of more than 2,000, about 1,800 of whom live on-reserve, the Lil'wat Nation is the third largest First Nations community in British Columbia. With much of its traditional territory comprised of lush, coastal rainforest and its close proximity to Whistler, Lil'wat has considerable resource- and tourism-based economic opportunities. The FMS Certification will help ensure that these opportunities are effectively leveraged to create a sustainable economy for this beautiful, rural community located at the northern end of the Sea-to-Sky Corridor.

"The FMS Certification acknowledges the progress the Lil'wat Nation has made in strengthening its financial systems," says former CFO Neil McInnes (now with the First Nations Health Authority). "It gives the Nation the ability to be more transparent with its partners, funders, government agencies and the community. And the certification will allow Lil'wat to develop economic opportunities through increased access to affordable long-term debt."

But greater access to capital was not the primary motivation for Lil'wat Nation engaging in the FMB's certification process. The goal was to show that investing in the Lil'wat Nation was not a high-risk venture.

"Achieving the FMS Certification shows the strength of our financial systems and our governance," said Chief Dean Nelson. "It recognizes all of the hard work Lil'wat Nation's senior leadership team has done to ensure that Lil'wat is seen as a financially responsible First Nation."

The Lil'wat Nation is striving towards self-determination by exerting control over its traditional land and resources. With a focus on economic development, land and resource

management, the Nation is working to create a sustainable community by exploring opportunities in retail, forestry, and construction. For CAO Ernest Armann one of the most important benefits of the FMS Certification is that it will hold governance and administration accountable to the community. He also points out that the improved access to capital that FMS Certification creates will allow Lil'wat Nation to address its infrastructure issues and plan for the future.

"Obtaining FMS Certification allows us the time and space to look at other needs to achieve self-determination and self-governance, says CAO Ernest Armann.

“Achieving the FMS Certification shows the strength of our financial systems and our governance.

Chief Dean Nelson  
Lil'wat Nation, British Columbia





# Tsleil-Waututh Nation\*: Planning Beyond The 7<sup>th</sup> Generation



A forward-facing First Nation, Tsleil-Waututh Nation has long had strong financial systems and governance that's accountable to the membership. Receiving the FMB's FMS Certification this April has helped to reinforce this message, creating renewed community interest in Tsleil-Waututh's financial affairs, and setting a strong foundation for future generations.

For Chief Maureen Thomas, obtaining FMS Certification was a complement to the Nation's existing systems, elevating them to a higher level to better manage a dynamic future.

"I think the real value of the FMS Certification for Tsleil-Waututh is the role it plays in preparing our community for the future in managing wealth instead of managing poverty," says Chief Maureen Thomas.

Located on the north shore of Burrard Inlet, Tsleil-Waututh Nation has long been involved with wealth-generating projects. Among the nation's many ventures are residential real estate developments, a golf driving range, a construction company and an alternative energy company that sells community wind power turbines. Even greater opportunities are on the horizon for this 550-member nation.

"The FMS Certification has created a framework for us to be more proactive and forward looking. It's made us ready to address the larger issues surrounding the financial health and well-being of the community," says Chief Thomas.

Those issues include the exploration of emerging economic development opportunities in the traditional territory of the Tsleil-Waututh Nation and establishing solid financial management practices that can be sustained for generations to come.

Thomas, who has served on council since 2003, with the exception of 2005 – 2007, sees the strengthening of her Nation's financial management policies and procedures, and the recognition that it brings, as the FMS Certification's greatest benefit.

“The FMS Certification has created a framework for us to be more proactive. It's made us ready to address the larger issues surrounding the financial health and well-being of the community.

Chief Maureen Thomas  
Tsleil-Waututh Nation, British Columbia

"When you're having to make decisions that will impact the future direction and well-being of the community, knowing that your internal practices meet the FMB's standards gives you an added comfort level. It lets you make decisions that won't put the Nation or any of its programs at risk.

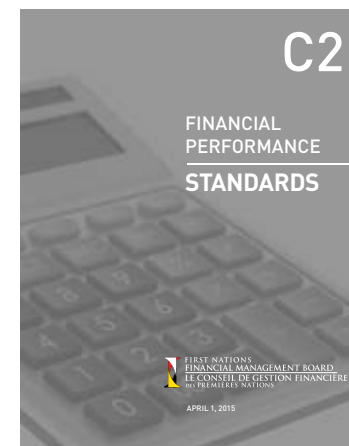
"The FMS Certification is really about protecting your assets to the best of your ability to ensure you're making the right decisions for the community for the long run," say Chief Thomas. "Planning for seven generations just isn't enough — you need a system to support it."

*\*Tsleil-Waututh Nation was granted a Financial Management Systems Certificate by the FMB Board, April 15, 2016.*





“The FMB has many tools and resources available for download from its website at no-cost.







# Supporting And Accelerating First Nations Economic Opportunities

Infrastructure and economic development can offer substantial opportunities to grow and accelerate First Nations economies. When invited, the FMB supports clients seeking to realize meaningful economic opportunities.

## Strategic Partnerships Initiative

A federal government initiative currently funded by Indigenous and Northern Affairs Canada (INAC), the SPI is designed to facilitate community-based discussion about First Nations participation in large-scale resource development projects.

A current example of a planned major project that will affect First Nations' communities is northern Ontario's Ring of Fire. This massive mining and smelting development project, when implemented, will have substantial impacts on the traditional territories of at least nine First Nations. Building the financial capacity in nations facing the challenges presented by major projects is a key objective of the SPI. The FMB supports this objective by providing administrative support and financial oversight to the SPI. As well, the FMB encourages First Nations to participate in the FMS certification process to prepare for, and effectively participate in, major development projects.

The SPI also fosters participation in the FMB certification process. In 2015/16, the FMB, through the SPI, provided 40 First Nations with funding to support the development or implementation of their FALs — crucial steps to developing the capacity to engage in major projects meaningfully and in a ways that yield maximum economic benefits. Additionally, the SPI provides the FMB with funding for its outreach efforts, such as gatherings and smaller meetings with chiefs and hereditary chiefs in regions affected by major projects. These meetings allow multiple Nations to engage in discussions about participation in a major project and how to best meet their objectives by examining project economics, decision-making models and approaches to benefit sharing.

As its clients explore the risks and opportunities associated with participation in major energy and resource-based projects, the FMB provides ongoing administrative support to ensure the best possible outcomes.



# Moving Beyond The Status Quo

The *FMA*, as a modern-day First Nations legislation, provides a new pathway for First Nations to achieve economic self-sufficiency.

Access to long-term, affordable capital has long been a challenge for First Nations. First Nations governments have and continue to be routinely charged much higher interest rates than those available to non-First Nations governments. These higher and extraordinary borrowing costs make it challenging for First Nations to meaningfully participate in the economy or to invest in their own infrastructure projects. The FMB's financial administration, capacity development and certification services support First Nations to level their economic playing field by providing them with the critical financial tools to create and sustain sound governance and financial management systems.

FMB clients are moving themselves forward to obtain certifications that validate their financial management practices and prove financial stability. Achieving FMS Certification, which comes as a result of a successful implementation of a First Nation's FAL, allows them to apply for ongoing access to affordable long-term borrowing.





# Tools And Resources

The FMB assists First Nation governments in acquiring the knowledge and skills that are the foundation of sound governance and financial management systems. These in turn increase opportunities to open doors to economic prosperity.

The FMB provides its services free of charge to First Nations. The FMB supports its clients with tools, templates, workshops, webinars and videos to help First Nations understand what FAL development and implementation can do for them. The FMB's toolkits also help First Nations evaluate where they are and where they need to go to meet their certification goals. These downloadable resources include sample documents, self-assessments, guidebooks and standards on FALs, FP and FMS certifications.

## Financial Administration Law

### Financial Administration Law Review Procedures

A list of procedures for clients to apply when requesting compliance approval of the First Nation's FAL.

### Financial Administration Law Standards

A list of the standards that support sound financial administration practices for a First Nations government in Canada. These standards form the minimum elements of a FAL.

### Sample Financial Administration Law

An example of a FAL that meets the requirements of the FAL Standards.

### Financial Administration Law Explanatory Notes

A set of notes that provides assistance on the development of an FAL by discussing the structure and substantive content of the Sample FAL.

### Financial Administration Law Self-Assessment

A tool that clients can use to compare existing or proposed FAL(s) to the FAL Standards.

## Financial Management System

### Financial Management System Certification Procedures

A list of procedures for clients to follow when requesting a review of their financial management system.

### Financial Management System Standards

Standards that support sound financial practices for the operation, management, reporting and control of the financial management system of a First Nation.

## Financial Performance

### Financial Performance Certification Procedures

A list of procedures for clients to apply when requesting a review of their financial performance.

### Financial Performance Standards

A list of standards that assess the historical financial performance of a First Nation over a five-year period using up to seven financial ratios.

## Local Revenue Account

### Local Revenue Account Financial Reporting Standards

A list of standards that detail the financial reporting requirements for the separate annual financial statements of a First Nation's local revenue account.

### Local Revenue Account Illustrative Financial Statements

Illustrative annual financial statements designed to comply with the Local Revenue Account Financial Reporting Standards.

“Fisher River has seen real benefits in our operations since beginning our FMS implementation. We have hired a designated accountant as our CFO and have timely and accurate financial reporting which is really helping with our planning and forecasting.

Chief David Crate  
Fisher River

# Our Corporate Profile

The *FMA* came into force in 2006. The *FMA*'s primary objective is to improve First Nations access to capital. The *FMA* established three organizations to accomplish this objective, the FMB, the FNFA, and the First Nations Tax Commission.

## The FMB Mandate

The FMB provides the tools and guidance that instills confidence in First Nations' financial management and reporting systems to support economic and community development.

Sections 49 and 55 of the *FMA* establish the following legislative mandates and purposes for the FMB:

- Assist First Nations in developing the capacity to meet their financial management requirements;
- 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 financial monitoring services respecting First Nation financial management and financial performance;
- Provide co-management and third party management services;
- 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;
- Provide advice, policy research, and review and evaluative services on the development of fiscal arrangements between First Nations' governments and other governments; and,
- Set standards respecting:
  - The form and content of FALs;
  - Approvals of FALs;
  - Design and implementation of First Nations FALs and FMS;
  - Certification of FP and FMS; and
  - Local Revenue Financial Reporting.

## Agencies and Organizations Working With The FMB

The FMB routinely works with government agencies and other organizations engaged in work that is relevant to its mission and mandate. The FMB also works with financial institutions and capital markets, as the regulatory regime established to address lenders and investors interest in First Nation bonds.

The government agencies and other organizations that the FMB currently works with are as follows:

### AFOA

Canadian Executive Service Organization

Canadian Public Sector Accounting Board

Finance Canada

First Nations Energy and Mining Council

First Nations Tax Commission

First Nations Finance Authority

First Nations Major Projects Coalition

Indigenous and Northern Affairs Canada

Lands Advisory Board

Natural Resources Canada

Nicola Valley Institute of Technology

Tulo Centre for Indigenous Economics

# FMB's Performance in 2015/16

The FMB's business lines were reorganized in 2015/16 to increase efficiencies for clients engaged in the development and implementation of their financial management systems. These changes have resulted in greater productivity and expanded the FMB's ability to support more clients.

At the end of the 2015/16 financial year, all five of the business lines attached to performance measures met or exceeded goals established in the FMB's annual corporate plan. The achievements of each of these business lines are detailed below.

## Standards & Certification

Performance Measure	Performance Results	Achievement
10 to 15 Financial Performance Certification reviews	16 Financial Performance Certificates awarded	Exceeded
10 to 15 Financial Management System Certification work plans	21 Financial Management System work plans developed	Exceeded
8 to 10 financial management system self-assessments	17 self-assessments prepared	Exceeded
4 to 6 Financial Management System Certification reviews	<ul style="list-style-type: none"> <li>• 7 reviews performed</li> <li>• 2 FMS Certificate awarded</li> </ul>	Exceeded
Review FMS standards and certification process, and review approach with INAC.	Completed final FMS Certification methodology developed and approved for use, and reviewed with INAC.	Met
Completion of steps outlined in 2014/15 research work plan respecting standards and policy development in public sector accounting specific to First Nations	<ul style="list-style-type: none"> <li>• Response issued in August 2015 to PSAB Discussion Paper.</li> <li>• Steps in work plan completed.</li> </ul>	Met



# FMB's Performance In 2015/16

## Market Development, FALs & Stakeholder Relations

Performance Measure	Performance Results	Achievement
20 presentations to First Nations	40 presentations delivered	Exceeded
4 FMB hosted events	<ul style="list-style-type: none"><li>• Ulnooweg – October 6-7, 2015</li><li>• CANDO – Toronto – October 27-29, 2015</li><li>• Matawa – December 2, 2015</li><li>• AFOA Canada – Montreal – February 16-19, 2016</li><li>• FMB FMS Conference – March 1-2, 2016</li></ul>	Exceeded

## Capacity Development & Intervention

Performance Measure	Performance Results	Achievement
Review capacity development approach with INAC	<ul style="list-style-type: none"><li>• INAC Yukon regional office: June 26, 2015</li><li>• INAC Ontario regional office: July 10, 2015</li><li>• INAC Atlantic regional office: October 5, 2015</li></ul>	Met
Meet with INAC to discuss work related to: General Assessment, Readiness Assessment, Intervention, audit review and FSO responsibilities	<ul style="list-style-type: none"><li>• INAC BC Region – November 2015</li><li>• INAC Headquarters – December 2015</li></ul>	Met
10 First Nations funded to support certification efforts	26 First Nations funded	Exceeded



# FMB's Performance In 2015/16

## Legal Services

Performance Measure	Performance Results	Achievement
10-15 Financial Administration Law reviews	<ul style="list-style-type: none"><li>• 17 new FAL reviews</li><li>• 6 updated FAL reviews</li><li>• 12 updated FAL reviews</li></ul>	Exceeded
Resolve outstanding issues from mock intervention on "other revenues"	Legal opinion obtained re: outstanding issues from mock intervention, and a meeting with FNFA was planned and held before March 31, 2016	Met

## Corporate Services

Performance Measure	Performance Results	Achievement
Prepare annual Corporate Plan	Corporate Plan prepared and submitted	Met
Prepare Annual Report	Annual Report prepared and published	Met
Hold Annual General Meeting	2014-2015 Annual General Meeting held on October 29, 2015	Met
Data and document management	Implementation of records management system and document archival	Met
Achieve low risk rating from INAC General Assessment	Letter from INAC received March 11, 2016	Met



# Financial Report

## The FMB'S 2015/16 Financial Picture

The following financial statements detail the First Nations Financial Management Board's (FMB) financial position and activities for the year ending on March 31, 2016. These statements are based on financial information that is regularly reported to the FMB's Board of Directors through its Audit & Risk Management Committee.

Prepared by the Senior Finance Officer, and then audited by BDO Canada LLP, the 2015/16 FMB financial statements provide information about four distinct areas: the FMB's overall financial position, operations, net assets and cash flows. The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

### Summary

The FMB is a shared governance corporation without share capital. The not-for-profit organization was established in 2005 under the First Nations Fiscal Management Act. The FMB is wholly dependent on funding from Indigenous and Northern Affairs Canada (INAC) to carry out its work.

#### Revenues

In 2015/16 the FMB saw a 25 percent growth in its revenues, with increased mid-year and Strategic Partnerships Initiative (SPI) funding from INAC needed to service and support an expanding client base. This increase was in the form of one-time mid-year funding of \$0.7 million (2015 - \$0.3 million) and \$1.2 million related to SPI funding (2015 - \$0.7 million), bringing FMB's 2015/16 operating budget to \$6.5 million. Core annual funding from INAC remained unchanged from the prior year at \$4.6 million. In 2015/16, the FMB's client base grew by over 30 per cent to 144 First Nations.

#### Expenses

The total cost for the operation of the FMB, and delivery of its services to more than 130 First Nations across Canada was \$6.4 million. Expenses were reduced from 2014/15 in the areas of client service delivery, director fees and expenses and travel.

#### Mid-year Funding

The table below outlines how the FMB made use of its mid-year funding received from INAC in January 2016.

Activity	Amount Received	Amount Spent
Additional Capacity Development Funding	\$357,500	\$357,500
Expanded FMS Conference & Workshop in Winnipeg, Manitoba	\$55,000	\$55,000
Marketing and Capacity Development Tools	\$83,000	\$26,138
Risk Management Toolkit	\$108,650	\$108,650
Translation and Related Services	\$48,000	\$11,025
Total	\$652,150	\$558,313

#### Capacity Development Funding

This additional mid-year funding allowed the FMB to meet requests by First Nations for the development of Financial Administration Laws, Financial Management System 'Gap' Assessments, and Policy Development. A summary of how this funding was delivered is presented in following table.

Development of Financial Administration Laws	\$67,500 of funding provided to 9 First Nations
Financial Management System 'Gap' Assessments	\$165,000 of funding provided to 10 First Nations
Policy Development	\$125,000 of funding provided to 8 First Nations

## FMS Conference & Workshop

This additional mid-year funding allowed the FMB to significantly expand the size and reach of its Second Annual FMS Conference & Workshop. Invitations were extended to more than 65 First Nations and 60 delegates who attended the conference that was held over two days in early March in Winnipeg, Manitoba. Participants were exposed to best practices in the areas of risk management, formation of an independent finance and audit committee and change management. Prospective clients from First Nations in Manitoba were also invited to network with participants and to learn more about how a FMS can provide stability and the basis for sound decision-making.

## Marketing and Capacity Development Tools

Leading up to the FMS Conference & Workshop, the FMB produced an in-depth video that profiled the Penticton Indian Band and their ongoing efforts to fully implement a financial management system in preparation for certification by the FMB. This video was debuted at the conference and is now available as an online resource for other interested First Nations. In addition a second version of the widely viewed video that profiles Membertou First Nation's motivations and efforts to receive the inaugural Financial Management System Certification in Canada was produced. Both videos are available for viewing at [www.youtube.com/fnfmb](http://www.youtube.com/fnfmb).

As First Nations choose to act on the principles of transparency and accountability contained in their Financial Administration Laws, the challenge of producing a high quality annual report — often for the first time — is inevitably encountered. For this reason the FMB produced a collection of Annual Report Illustrative Guidelines. This publication draws upon leading practices in use by First Nations across Canada as well as best practices and recommendations within the public sector.



[youtube.com/fnfmb](https://www.youtube.com/fnfmb):  
Penticton Indian Band - Our journey to FMS certification



[youtube.com/fnfmb](https://www.youtube.com/fnfmb):  
Reflections on Membertou Financial Management System Certification

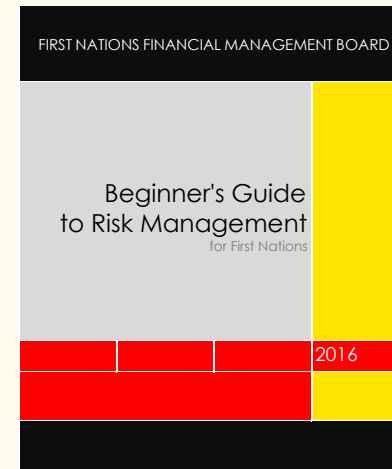
## Risk Management Toolkit

The establishment of a well-designed risk management process is vital for an effective financial management system. Not only does this allow a First Nation to be more resilient in an ever-changing business environment, it provides great insight on how to make operational improvements. To help meet the capacity needs of its clients in this area the FMB made use of its mid-year funding to conduct an extensive pilot project in this area that included risk management workshops with eight first nations in several regions of Canada. These workshops allowed the FMB to develop a comprehensive risk management toolkit that will help clients conduct a thoughtful, yet streamlined, risk inventory. It is hoped that this new tool will allow those using it to develop focused responses to each risk based on its likelihood of occurrence and magnitude of impact to the organization and community.

## Client Support Services

Mid-year funding was used to translate material necessary to conduct a compliance review of a FAL of a Francophone First Nation community in the province of Québec.

In 2015/16 the FMB posted a **small surplus of \$98,424** for 2015/16 which is subject to repayment to INAC unless a proposal for its use in 2016/17 is approved.





Tel: 604 688 5421  
Fax: 604 688 5132  
vancouver@bdo.ca  
www.bdo.ca

BDO Canada LLP  
600 Cathedral Place  
925 West Georgia Street  
Vancouver BC V6C 3L2 Canada

## 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, 2016 and the Statements of Operations, Changes in Net Assets and Cash Flows for the year 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 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 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, 2016 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants

Vancouver, British Columbia  
June 20, 2016

---

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	2016	2015
<b>Assets</b>		
<b>Current</b>		
Cash (Note 2)	\$ 2,406,544	\$ 930,874
Accounts receivable	43,509	46,388
Prepaid expenses	18,170	18,404
	2,468,223	995,666
<b>Security deposit</b>	54,005	54,005
<b>Capital assets</b> (Note 3)	231,464	301,199
	\$ 2,753,692	\$ 1,350,870
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,601,185	\$ 670,747
Due to related parties (Note 4)	50,613	40,669
Government remittances payable	12,503	6,419
Deferred revenue (Note 5)	372,015	-
Current portion of capital lease obligation (Note 6)	15,063	14,083
	2,051,379	731,918
<b>Capital lease obligation</b> (Note 6)	59,800	74,863
	2,111,179	806,781
<b>Net Assets</b>		
Invested in capital assets	156,601	212,254
Unrestricted	485,912	331,835
	642,513	544,089
	\$ 2,753,692	\$ 1,350,870

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

Approved on behalf of the Board:



Director



Director

# Statement of Operations

For the year ended March 31	2016	2015
<b>Revenue</b>		
INAC funding	\$5,243,450	\$4,490,558
INAC - Strategic partnerships initiative project	1,228,407	661,660
Interest income	1,317	5,633
Other	-	1,250
	<b>6,473,174</b>	5,159,101
<b>Expenses</b>		
Amortization	96,471	97,280
Client service delivery (Note 9)	807,364	986,255
Corporate services	1,218,238	1,155,452
Director fees and expenses	489,117	526,259
Policy development	554,222	541,046
Salaries and benefits	1,813,262	1,404,090
Strategic partnerships initiative project (Note 10)	1,227,837	661,660
Travel	168,239	170,991
	<b>6,374,750</b>	5,543,033
<b>Other items</b>		
Loss (gain) on disposal of assets	-	(402)
	<b>6,374,750</b>	5,542,631
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$98,424</b>	<b>\$(383,530)</b>

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

# Statement of Changes in Net Assets

For the year ended March 31	Invested in Capital Assets	Unrestricted	2016	2015
Balance, beginning of year	\$212,254	\$331,835	\$544,089	\$927,619
Excess (deficiency) of revenue over expenses	-	98,424	98,424	(383,530)
Amortization of capital assets	(96,471)	96,471	-	-
Purchase of capital assets	26,735	(26,735)	-	-
Repayment of capital lease	14,083	(14,083)	-	-
Balance, end of year	<b>\$156,601</b>	<b>\$485,912</b>	<b>\$642,513</b>	<b>\$544,089</b>

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

# Statement of Cash Flows

For the year ended March 31	2016	2015
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenses	\$98,424	\$(383,530)
Item not involving cash		
Loss (gain) on disposal of capital lease	-	(402)
Amortization of capital assets	96,472	97,280
	<b>194,896</b>	<b>(286,652)</b>
Changes in non-cash working capital balances		
Accounts receivable	2,879	34,590
Prepaid expenses and security deposit	234	22,516
Deferred revenue	372,015	-
Accounts payable and accrued liabilities	946,464	123,145
	<b>1,516,488</b>	<b>(106,401)</b>
<b>Investing activity</b>		
Purchase of capital assets	<b>(26,735)</b>	<b>(109,737)</b>
<b>Financing activity</b>		
Capital lease principal payments	<b>(14,083)</b>	<b>(14,569)</b>
<b>Increase (decrease) in cash during the year</b>	<b>1,475,670</b>	<b>(230,707)</b>
<b>Cash, beginning of year</b>	<b>930,874</b>	<b>1,161,581</b>
<b>Cash, end of year</b>	<b>\$2,406,544</b>	<b>\$930,874</b>
<b>Non-cash Transaction</b>		
Acquisition of equipment under capital lease	\$ -	\$90,100

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



# Notes to the Financial Statements

March 31, 2016

## 1. Nature of Operations and Summary of Significant Accounting Policies

### (a) Nature and Purpose of the Organization

The First Nations Financial Management Board ("FNFM" 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 FNFM provides tools to First Nations for modern fiscal management, improving the investment climate and promoting economic growth.

### (b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations ("ASNPO").

### (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 to 5 years  
Leasehold improvements - term of lease (5 years)  
Office furniture and fixtures - 10 years  
Office equipment under capital lease - term of lease (5.5 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.

### (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 FNFM, the lease is classified as capital.

### (e) Revenue Recognition

Contributions from Indigenous and Northern Affairs Canada ("INAC") 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 ASNPO 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.

# Notes to the Financial Statements

## 2. 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.

## 3. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2016	Net Book Value 2015
Computer equipment	\$ 327,330	\$ 254,497	\$ 72,833	\$ 113,030
Leasehold improvements	241,093	226,759	14,334	21,956
Office furniture and fixtures	200,979	122,209	78,770	84,304
Office equipment under capital lease	90,100	24,573	65,527	81,909
	<b>\$ 859,502</b>	<b>\$ 628,038</b>	<b>\$ 231,464</b>	<b>\$ 301,199</b>

## 4. 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.

	2016	2015
Amounts due to Temixw Planning Ltd.	<b>\$ 50,613</b>	\$ 40,669
The Board paid to related parties the following amounts: Temixw Planning Ltd.	<b>\$ 248,406</b>	\$ 237,525

## 5. Deferred Revenue

	2015	Received	Recognized	2016
Amendment #1	\$ -	\$ 135,000	\$ 86,978	<b>\$ 48,022</b>
Amendment #3 and #5	-	1,133,817	809,824	<b>323,993</b>
	<b>\$ -</b>	<b>\$ 1,268,817</b>	<b>\$ 896,802</b>	<b>\$ 372,015</b>

Deferred revenue consists of grants received from INAC related to funding provided for the Strategic Partnership Initiative Project and the Major Projects Coalition Steering Committee.

## Notes to the Financial Statements

### 6. Obligation Under Capital Lease

FNFMB leases a photocopier at an interest rate of 6.50%. The lease matures August 30, 2020.

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
2017	\$ 15,063
2018	16,112
2019	17,234
2020	18,434
Thereafter	<u>8,020</u>
	74,863
Less: current portion	<u>(15,063)</u>
	<u>\$ 59,800</u>

### 7. Commitments

The Board leases its office premises under a lease agreement expiring in fiscal 2022. The Board is obligated to make the following lease payments plus its proportionate share of the operating costs and property taxes which are approximately \$13,277 per month as of May 1, 2016. The Board is also committed under an operating lease for a mailer expiring in fiscal 2018.

The combined minimum annual lease payments until expiry are as follows:

2017	\$ 163,869
2018	159,320
2019	159,320
2020	159,320
2021	159,320
2022	<u>13,277</u>
	<u>\$ 814,426</u>

### 8. Economic Dependence

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



# Notes to the Financial Statements

## 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. Strategic Partnerships Initiative Project Expenses

	2016	2015
<b>Ring of Fire - amendment #1</b>		
Outreach	\$ 65,314	\$ 6,500
Research	-	53,200
Conference	21,665	-
Travel	-	4,860
Project coordination	-	2,273
	<b>86,979</b>	<b>66,833</b>
<b>West Coast Energy - amendment #2</b>		
Outreach	13,753	31,775
Research	-	225,265
Conference	-	196,966
Travel	23,114	39,519
Certification	275,000	80,000
Project coordination	19,167	21,302
	<b>331,034</b>	<b>594,827</b>
<b>Coalition Steering Committee - amendment #3</b>		
Pre-meeting outreach	31,159	-
Presentation materials	11,038	-
Technical experts	9,122	-
Meeting facilitators	5,188	-
Meeting rooms	4,756	-
Travel	62,097	-
	<b>123,360</b>	<b>-</b>
<b>Coalition Steering Committee - amendment #5</b>		
Regional caucus	127,873	-
Steering committee meeting	122,188	-
Community outreach	88,527	-
Technical advisory group	87,550	-
Financial advisory group	124,171	-
Project administration	108,000	-
Government engagement	28,155	-
	<b>686,464</b>	<b>-</b>
<b>Grand Total</b>	<b>\$ 1,227,837</b>	<b>\$ 661,660</b>

## 11. Financial Instrument Risk

FNFMF, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2016.

### (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, the majority of the balance is GST receivable, and thus, not exposed to 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.



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

Phone: 604.925.6665  
Toll Free: 1.877.925.6665  
Fax: 604.925.6662  
E-mail: [mail@fnfmb.com](mailto:mail@fnfmb.com)