

# EXPLORING NEW HORIZONS



## 2017/18 Annual Report



First Nations  
FINANCIAL  
MANAGEMENT  
BOARD

LE CONSEIL  
DE GESTION  
FINANCIÈRE des  
Premières Nations

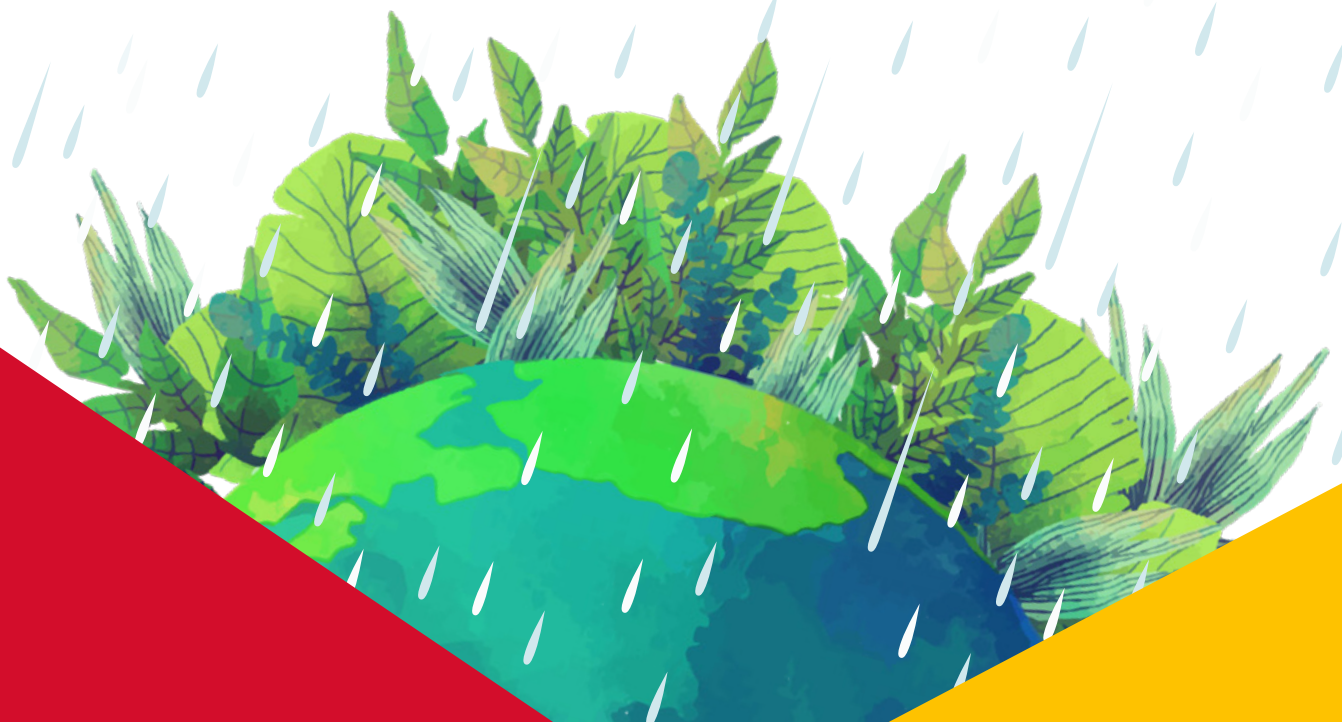
# THUNDERBIRD STORY

**A** long, long time ago, First Nations were facing a harsh famine. They decided to approach the Thunderbird for help. The Thunderbird agreed and began flapping its wings, creating explosions of thunder, and energizing the sky with lightning. This caused heavy rains to water the earth and stimulate vegetation growth. An abundance of food became available.



First Nations people across the land revered the Thunderbird for saving them. To honour and provide thanks they agreed to symbolize the Thunderbird in many ways, through art and storying telling. The Thunderbird symbolizes energy, strength, and nobility; it too represents the past, present, and future.

The FMB embraces the spirit of the Thunderbird as we strive to address the current finance and administrative challenges within First Nation communities. First Nations can now move beyond the status quo of the *Indian Act* by using First Nations - led initiatives, such as the *First Nations Fiscal Management Act*. We support exploring these new horizons.



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# OUR MISSION, VALUES & MANDATE

## OUR MISSION

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

## OUR VALUES

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

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

**Responsive** – Consistent with the optional nature of this initiative, the FMB will respond to First Nation requests for services. Our services and standards will respond to the interests and priorities of First Nations and other stakeholders in the First Nations Fiscal Management Act (“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

Section 49 and 55 of the FMA establishes the following legislative mandate for the FMB:

- ▶ **Support First Nations to manage their finances well**
- ▶ **Support First Nations in applying for loans on similar terms as other governments in Canada**
- ▶ **Review and audit First Nations’ finance practices**
- ▶ **Support First Nations to get certified in financial management and performance**
- ▶ **Evaluate the financial health of First Nations when invited**
- ▶ **Support First Nations when working with other governments in areas of governance and finance practices, including accountability and shared fiscal responsibility**
- ▶ **Support First Nations to strengthen their own communities through better relationships with financial institutions, business partners, and other governments**
- ▶ **Provide advice, policy research, and review services relating to fiscal arrangements between First Nations and other governments**
- ▶ **Set standards for:**
  - the form, content and approval of Financial Administration Laws
  - Financial Management System Certification
  - Financial Performance Certification
  - Financial reporting for the local revenues account
- ▶ **Provide co-management and third party management services in relation to borrowing from the First Nations Finance Authority or collecting local revenues through the First Nations Tax Commission**

# What is the FMB?

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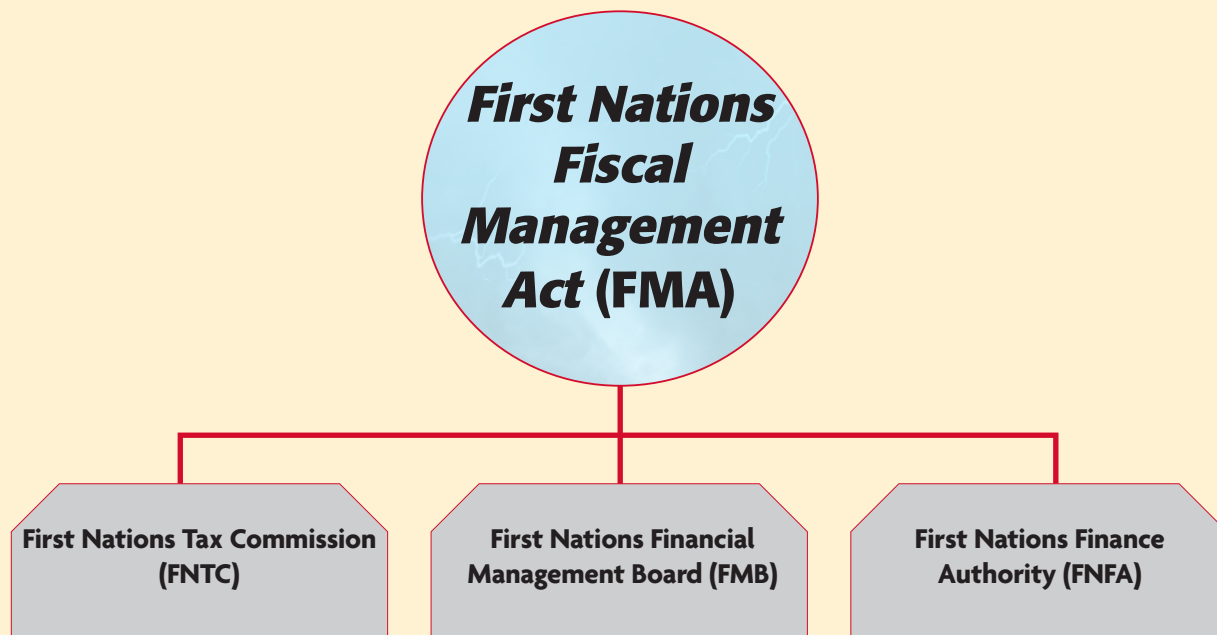
The FMB is a national First Nation Institution created by the *First Nations Fiscal Management Act* (FMA). The FMB supports First Nations in their pursuit of social and economic well-being through the development of strong governance and financial managements systems.

# What is the FMA?

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The FMA was created by a First Nations-led initiative. The FMA is optional federal legislation that is outside of the Indian Act and provides a new pathway for First Nations working towards economic self-sufficiency.

The FMA enables First Nations to leverage their own revenues similar to other levels of government. The FMA is the only legislation that provides First Nations with access to borrow through the First Nations Finance Authority (FNFA).



## Total Numbers to March 31, 2018:

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**229**

First Nations  
scheduled to the  
FMA

**137**

First Nations  
with Financial  
Administration Law  
compliance approvals

**115**

First Nations with  
Financial Performance  
Certificates

**14**

First Nations with  
Financial Management  
Systems Certificates

# Message from the Executive Chair

I am pleased to present the 2017/18 Annual Report for the First Nations Financial Management Board (“FMB”). Once again I can report that it was a year of positive growth, with ever increasing demand for our services and expertise on First Nation finance and governance best practices. As of March 31, 2018, there were 229 First Nations participating under the *First Nations Fiscal Management Act* (“FMA”). Many of our First Nations clients across Canada have had tremendous successes this year and these have been highlighted within this Annual Report and on our new website.

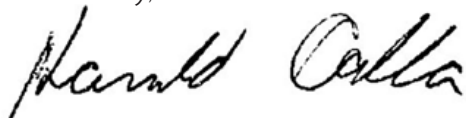
First Nations are exploring and embarking on a journey outside of the Indian Act and towards new horizons. Specifically, the FMA has made access to long term affordable capital a reality for First Nations that achieve Financial Performance Certification from the FMB. The FMB also supports First Nations to develop Financial Management Systems to achieve transparency and accountability for their membership and future business partners. Finally, the FMA allows First Nations to expand their fiscal powers to raise revenues through taxation. These new horizons may offer economic prosperity for our Nations.

Also on the horizon is the potential of a New Fiscal Relationship with Canada. The Honourable Jane Philpott, Minister of Indigenous Services Canada (“ISC”) announced that ISC would create an initiative whereby First Nations could apply for 10-year grant funding agreements. The FMB was invited by the Assembly of First Nations (“AFN”) and ISC to provide technical advice on eligibility requirements to qualify for these 10-year grants. The rationale for FMB’s involvement is that we have already created a framework of Standards based on internationally recognized internal control frameworks; we have supported over 100 First Nations to achieve Financial Performance Certification that has allowed these communities to borrow approximately half a billion dollars from the capital market via the First Nations Finance Authority. Those results were seen as important eligibility criteria by ISC and AFN for these grants.

There have been many other innovative and creative initiatives on the horizon designed to support First Nations in the transition towards a Nation-to-Nation relationship with Canada. These types of activities include: participation in the Default Management Prevention Pilot Project, the Governance research project, and the Major Projects Coalition. Dialogue and actions have begun related to resurrection of a First Nations Statistical Institution. There is also discussion on the creation of a First Nations Infrastructure Institute, Aboriginal Auditor General, Aboriginal Resource and Cannabis tax.

On behalf of my fellow board members and staff at FMB, we are looking forward to supporting First Nations who wish to embark on these new horizons beyond the Indian Act. We believe that these new horizons will support First Nations towards achieving social and economic well-being.

Sincerely,



**Harold G. Calla**, CPA, FCGA, CAFM  
Squamish Nation, BC  
Executive Chair



“I think the *First Nations Fiscal Management Act* and its three Institutions are the result of First Nations coming together to say they wanted to operate in a way outside of the *Indian Act* to benefit their communities. I call it a Coalition of the Willing.”

# Message from the A/Chief Operating Officer

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**T**he 2017/18 Annual Report highlights the First Nations Financial Management Board's ("FMB") business lines, dedicated staff, and Board of Directors. They are responsible for the accomplishments and successes that FMB experienced this fiscal year. The Annual Report acknowledges First Nation governments and FMB achievements together with the success of the *First Nations Fiscal Management Act* ("FMA").

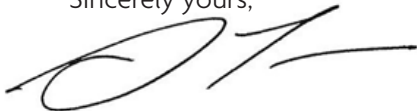
We share with confidence the FMB's ability to grow relationships with First Nations across Canada. As a national institution we will continue to pursue long-term relationships, strategies and objectives with First Nations coast-to-coast.

Primarily, this Annual Report is about the commitment and passion of our Board of Directors and our staff who serve First Nations governments seeking to strengthen their fiscal stewardship, accountability and framework to meet expanding financial management requirements. Our strong results in 2017/18 are a reflection of the collective efforts of the FMB's Board of Directors and staff. There was considerable growth in numbers of First Nations that developed Financial Administration Laws, and sought Financial Performance Certification and Financial Management Systems Certification, which will be shared later in this report.

The Default Management Pilot Project is one of our many specialized services. This was a pilot project that we expect to broaden in the coming year.

With increased participation in the *FMA*, the FMB added 15 new full time employees, a 53% increase. The FMB will continue to grow over the next fiscal year, in staff and office locations across Canada to meet the growing demand. For us, it is about serving First Nations governments and communities across our Nation. Here at the FMB, we wouldn't have it any other way.

Sincerely yours,



**Brian Titus, CAFM**

Tr'ondëk Hwëch'in First Nation, YT  
Vice-chair & Acting COO



Please note in the 2017-2018 fiscal year, Mr. Titus held the position of Acting Chief Operating Officer. On May 1, 2018, he assumed the permanent position and resigned his GIC appointment.

“The FMB  
continues to expand its  
mandate to meet future needs of  
First Nations in this new era.”

# Fisher River Cree Nation Leads the Way in Manitoba

**F**isher River Cree Nation is located 200 km north of Winnipeg. Its 3,900 members include 2,000 who live on capital reserve. Fisher River received Manitoba's first Financial Management Services ("FMS") Certification on November 16, 2017. The FMS Certification proves that the Nation uses good governance and finance practices as outlined in their Financial Administration Law ("FAL"). This means that the Nation is "living by its FAL".

Chief David Crate described the FMS Certification as "a fairly smooth process" and further stated that the FMB "supported and guided us during the 10-month process."

Fisher River also achieved its Financial Performance ("FP") Certification that allowed them to access long term affordable loans from the First Nations Finance Authority. This ability to secure capital has sparked an educational and economic boom, including these notable achievements:

- ▶ A new on-site school for grades 7-12;
- ▶ An off-reserve building & hardware store;
- ▶ A grocery store;
- ▶ An on-site motel; and
- ▶ Many other revenue generating infrastructure projects.

Chief Crate added that the greatest of the many infrastructure projects was the new school for Grades 7-12 which replaced a 46-year-old facility that was falling apart and overcrowded. "We sought replacement funding from the Canadian government on an urgent basis, but learned we were on a 20- year waiting list." Instead of waiting, Fisher River took matters into their own hands and explored new horizons and options under the *First Nations Fiscal Management Act*.

Chief Crate noted that the FP Certification enabled his Nation to fast-track construction of the new school, which will open in September 2018. The FMS Certification allowed Council to demonstrate that they operate with sound, transparent and accountable processes.



The Chief added that numerous commercial ventures such as a new building supply & hardware store, a new motel and a grocery store are ongoing success stories. As a result, employment rates are on the rise.

"I encourage other First Nations across Canada to begin working with the FMB if they haven't already, because FMB's assistance was invaluable in achieving for the Financial Management System Certification," Chief Crate said.

Fisher River Cree Nation's achievement of the FMS Certification proves that this milestone can be met even by non-urban communities.

FMB's services are offered to all First Nation governments and organizations across Canada. Having a FAL and FP Certification allows First Nations like Fisher River to have access to the capital market on a global scale at preferential interest rates.



Figure1 EDUCATION IS THE FOUNDATION FOR OUR FUTURE AND THE NEW SCHOOL WILL GO A LONG WAY IN ENSURING THAT THE EDUCATIONAL NEEDS OF OUR YOUTH ARE MET — CHIEF DAVID CRATE



# FMB's Clients



229 - Scheduled to the FMA

137 - FAL Approved

115 - FP Certified

11 - FMS Certified



NEWFOUNDLAND  
and LABRADOR

QUEBEC

PRINCE EDWARD  
ISLAND

NOVA SCOTIA

NEW BRUNSWICK

ONTARIO

3 - FAL  
3 - FP

2 - FAL  
1 - FP

6 - FAL  
1 - FMS  
6 - FP

# FMB's Board of Directors

**T**he First Nations Financial Management Board ("FMB") operates as a shared governance institution under parts three and six of the *First Nations Fiscal Management Act* ("FMA"). The FMA sets out our purposes, functions, and powers. It also establishes at-arm's length relationship between the FMB and the federal government. Under this governance model, the FMB is not an agent of the crown.

We are accountable to the Minister of Indigenous Services Canada. The FMB Board of Directors is responsible for the overall direction of the FMB. The Board ensures that the FMB fulfills its legal and regulatory mandate under the FMA.

The Board is made up of between nine (9) to thirteen (13) directors, including a Chairperson and Vice-Chair. A majority are named by the Governor-in-Council, and up to three members are appointed by the AFOA Canada.

We make every effort to bring in and retain the confidence of our clients, employees, First Nations Communities and our stakeholders through our values and standards. FMB's Board of Directors and management supports open dialogue. We communicate with our stakeholders in various ways including annual meetings, annual reports, website, and conferences.



**HAROLD CALLA, CPA, FCGA, CAFM**

EXECUTIVE CHAIR

Squamish Nation, BC

Audit & Risk Management Committee

Governance & Human Resources  
Committee

Standards Approvals & Certifications  
Committee

Executive Committee

**BRIAN TITUS, CAFM**

Tr'ondëk Hwëch'in First Nation, YT

Governance & Human Resources  
Committee

Marketing & Capacity Development  
Committee

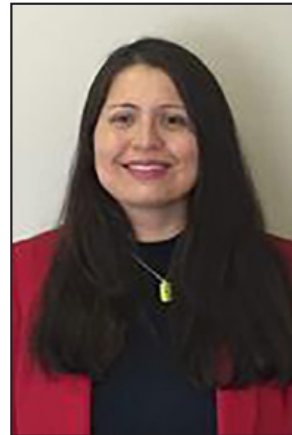
Chair, Special Initiatives Board Committee

Executive Committee





**JOANNA BERNARD, Ec.D**  
 Madawaska Maliseet First Nation, NB  
 Marketing & Capacity Development Committee  
 Special Initiatives Board Committee



**AMY COMEGAN, CPA, CGA, CAFM**  
 Anishinaabeg of Naongashiing First Nation, ON  
 Audit & Risk Management Committee  
 Governance & Human Resources Committee  
 Marketing & Capacity Development Committee



**CAROLINE DAVIS, FCPA, FCA**  
 Audit & Risk Management Committee,  
 Standards Approvals & Certifications Committee  
 Special Initiatives Board Committee



**NORMAN GRDINA, FCPA, FCGA, CAFM, CFE**  
 Audit & Risk Management Committee  
 Marketing & Capacity Development Committee  
 Chair, Standards Approvals & Certifications Committee  
 Executive Committee



**MICHAEL MCINTYRE, CA, CAFM**  
 Membertou First Nation, NS  
 Audit & Risk Management Committee  
 Standards Approvals & Certifications Committee  
 Special Initiatives Board Committee



**DEANNA MUISE, CPA, CA, TEP**  
 AB, GiC Appointed Métis, AB  
 Chair, Governance & Human Resources Committee  
 Special Initiatives Board Committee  
 Standards Approvals & Certifications Committee  
 Executive Committee



**JIM PRODGER, CAFM**

Chair, Audit & Risk  
Management Committee

Standards Approvals &  
Certifications Committee

Executive Committee



**DANA SOONJAS, CAFM,  
ICD.D**

Red Pheasant Cree Nation, SK

Chair, Marketing & Capacity  
Development Committee

Governance & Human  
Resources Committee

Executive Committee

Special acknowledgement and appreciation to the following Directors  
for their service ending in 2017/18:



**NANCY MURPHY, CAFM,  
PAED**

Seabird Island First Nation, BC

Chair, Marketing & Capacity  
Development Committee

Audit & Risk Management  
Committee

Executive Committee



**ANDRE RICHER, C.ADM.,  
CPA, CGA, CAFM**

Algonquin, QC

Chair, Standards Approvals &  
Certification Committee

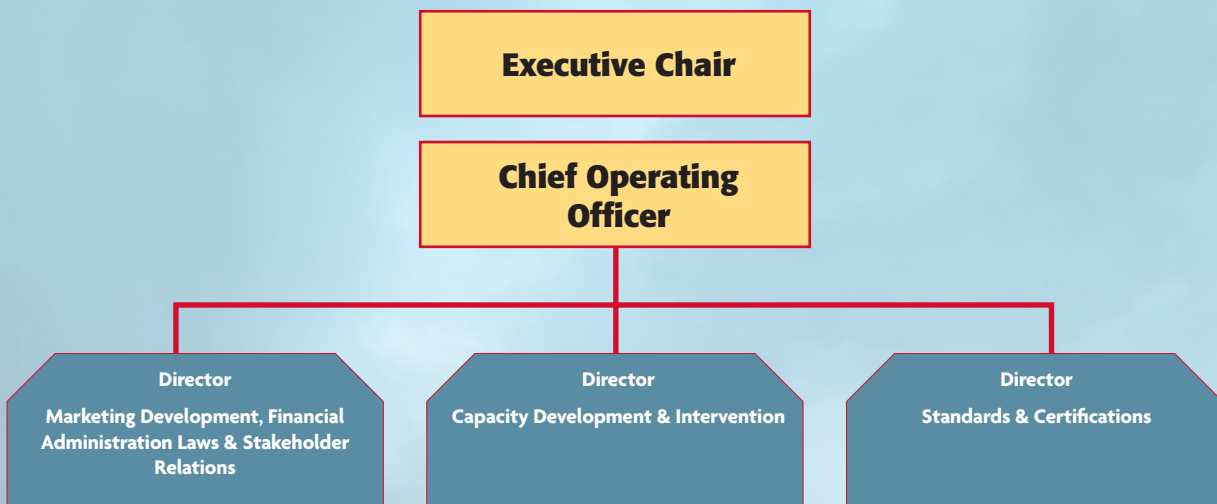
Vice Chair, Audit & Risk  
Management Committee

Executive Committee

# FMB Board Committees



# FMB Leadership Team



# Message from the Director of Market Development, Financial Administration Laws & Stakeholder Relations

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*The Market Development, FALs & Stakeholder Relations business line is responsible for initial interaction between the FMB and its clients, as well as the expanded function of introducing the FMB to the public. Activities include marketing and outreach to grow and maintain the FMB client base, make presentations, client visits, follow-up, and attending and hosting gatherings. This business line also provides operational support to clients that wish to develop a Financial Administration Law.*

**I**n 2017/2018, the First Nations Financial Management Board (“FMB”) continued to receive overwhelming interest and participation from First Nations across Canada. We visited and provided presentations to 92 First Nations in 9 regions coast-to-coast. The result was an increase of 30% in the number of First Nations who chose to opt in to the *First Nations Fiscal Management Act* (“FMA”) compared to last fiscal year.

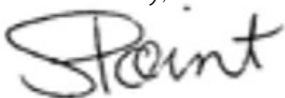
In addition, there were 34 First Nations that received compliance approval of their Financial Administration Laws, which again was a 30% increase compared to last fiscal year.

From a Stakeholder Relations perspective we assisted 14 First Nations as they worked towards their Financial Management Systems Certification. We also coordinate with other FMA Institutions with respect to business development outreach activities. Finally, we participated in various First Nation events across the country to promote the FMB products and services.

Looking forward, we have committed to support First Nations that have expressed interest in the New Fiscal Relationship 10-year grant funding initiative. We will provide support to First Nations that wish to meet the required FAL or Financial Administration By-Law eligibility criteria.

We are pleased to be contributing to positive economic well-being for First Nations across Canada.

Sincerely,



**Shayla Point** BA, LLB  
Musqueam, BC



“We continued to expand our business development activities by adding an office in Winnipeg. Next year, we have plans to open offices in Montreal and Ottawa with bilingual staff to better serve our clients.”

# Message from the Director of Capacity Development & Intervention

*The Capacity Development & Intervention team supports First Nations in bringing their Financial Administration Law to life through capacity building. This business line provides client support through tools and templates, workshops, tutorials, webinars and research. Building capacity supports these Nations to make informed decisions and create a roadmap for community development and well-being.*

**A**s the number of First Nations working with the First Nations Financial Management Board (“FMB”) continues to grow, so too does the number of employees in the capacity development business line. The FMB is committed to providing all of our clients with regional support as they adopt good governance and finance practices. In 2017/18, the Capacity Development and Intervention (“CDI”) team worked with 136 First Nations of which 9 applied for Financial Management System (“FMS”) Certification. The number of clients applying for FMS Certification is growing steadily year over year and the CDI team is now well-positioned to meet the needs of its growing client base.

The CDI team was also proud to launch an entirely new website in 2017/18 that is mobile-friendly and allows clients to access all of the FMB’s tools and templates at no cost. These include educational videos, webinars, forums, sample policies and procedures, and client portals, to name a few.

Finally, the CDI team continued its hard work with the Default Management Prevention Pilot Project (“DMPPP”) in year two of the three year Pilot Project. The 2017/18 fiscal year demonstrated that the five First Nations that began this journey have now strengthened their governance and finance practices. As a result we are pleased to announce that all five communities have now been de-escalated from Indigenous Services Canada ISC third-party management.

The DMPPP has proven highly successful. Its focus on empowerment and sustainable capacity development will form the basis of a new policy on default management that the FMB will co-develop with the Assembly of First Nations and ISC in the coming fiscal year.

The future is bright for First Nations working with the CDI team. Our team of dedicated and mostly Indigenous regional managers along with our array of culturally responsive tools and templates are supporting the FMB’s clients to achieve their community goals.

Sincerely,



**Suzanne Trottier**, CFA, MBA

Metis



“Our focus on empowerment and learning by doing allows First Nations to set themselves up for long-term success.”

# 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 upon request.*

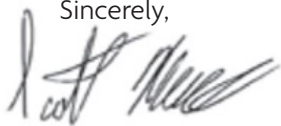
In 2017/18, Standards & Certification continued to respond to the growing interest by First Nations in achieving both Financial Performance (“FP”) and Financial Management System (“FMS”) Certification. We issued 7 FMS Certificates during the year. These achievements represent the commitment by each First Nation to bring their Financial Administration Law (“FAL”) to life and to demonstrate accountability and transparency.

The Standards & Certification team has supported First Nations’ access to the capital markets through the First Nations Finance Authority (“FNFA”). During the year we conducted 43 FP Certification reviews which led to the issuance of 33 FP Certificates for First Nations. This has supported the continued expansion of the FNFA’s borrowing pool.

Over the past year, we undertook a technical review of our Standards and continued to listen to the needs of First Nations. An Exposure Draft containing some proposed changes to our FP Standards was released in November 2017 for comment by all stakeholders. After considering the comments and feedback received to these proposed changes, the FMB issued a new edition of its FP Standards containing revised financial ratios effective February 22, 2018.

Over the next year, we’ll be exposing for comment some proposed amendments to our FAL and FMS Standards. We anticipate responding to the interest by First Nations to qualify for new 10- Year Grants being offered by Indigenous Services Canada and otherwise look forward to working with each community towards their certification goals.

Sincerely,



**Scott Munro**, CPA, CA, CAFM  
Liard First Nation, YT



“The Financial Performance Standards were updated including modifications to some ratios. We responded to changes in accounting standards and feedback received from clients and other stakeholders. These modifications allow us to better assess the financial performance of our clients.”

# How the FMB Supports Governance and Financial Management Objectives

One of the primary objectives of the First Nations Fiscal Management Act (FMA) is to improve access for First Nations to financing with terms similar to those available to other levels of government in Canada. More favourable borrowing terms will enable First Nations to take advantage of economic development opportunities through the use of their own revenues in the FMA borrowing program.

To support First Nations who are seeking to achieve economic independence and prosperity, the FMB has established the following standards:

1

## Financial Administration Laws ("FAL")

A comprehensive set of inter-related rules that form the foundation of a First Nation's financial management system.

2

## Financial Performance Standards ("FP")

A set of six comprehensive financial ratios that are calculated using the most recent five years of audited financial information.

3

## Financial Management Standards ("FMS")

Comprised of the essential processes and procedures that facilitate bringing the FAL to life and provide the steps for designing and implementing a sound financial management system.

The FMB is a not-for-profit institution that offers all of its services at no fee for First Nations. Furthermore, FMB supports First Nations in identifying capacity needs and assists in planning to address those needs.

# FMB Tools and Resources

**T**he First Nations Financial Management Board (“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 Financial Administration Law (“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, educational videos, webinars and standards on FALs, Financial Performance and Financial Management System Certifications.

**The FMB suite of documents tools is available on the FMB website at [www.FNFMB.com](http://www.FNFMB.com)**

## Sample Policies

- ▶ Sample Governance Policy
- ▶ Sample Information Management Policy
- ▶ Sample Finance Policy
- ▶ Sample Human Resources Policy

## Quick Reference Guide for a summary of what is required in a FAL

### Governance

- ▶ Policies and Procedures
- ▶ Delegation of Responsibilities
- ▶ Code of Conduct / \*\* Managing Conflicts of Interest Video
- ▶ Committees
- ▶ Finance and Audit Committee / \*\* Demystifying the Finance and Audit Committee Video
- ▶ Appointment of First Nation’s Officers
- ▶ External Audit
- ▶ Reporting of Remuneration and Expenses

### Information Management

- ▶ Information Technology
- ▶ Records and Information Privacy





## Finance

- ▶ Integrated Planning
- ▶ Strategic Planning
- ▶ Risk Management / \*\* Managing Risks - A Path To Success Video
- ▶ Multi-year Financial Planning
- ▶ Budgets
- ▶ Capital Assets / \*\* Life-cycle Planning For Capital Assets Video
- ▶ Capital Projects / \*\* Managing Capital Projects Video
- ▶ Borrowing Money
- ▶ Procurement
- ▶ Spending
- ▶ Account and Cash Management
- ▶ Financial and Operational Reporting
- ▶ System Improvement

## Human Resources

- ▶ Organizational Chart
- ▶ Human Resources Records Management
- ▶ Hiring and Dismissals
- ▶ Performance Evaluations and Training Plans
- ▶ Misconduct and Compliance

## Local Revenues

- ▶ Tax Administrator
- ▶ Local Revenues Bank Account
- ▶ Property Assessments and Tax Rates
- ▶ Local Revenues Spending
- ▶ Local Revenues Reporting
- ▶ Investment of Local Revenues

# A WAY FORWARD

*"I have described the current approach as patronizing, punitive and regressive. We plan to work with First Nations partners to replace the default prevention and management policy with a new proactive approach that supports capacity development. This approach will be based on current pilot projects, which are being conducted now with the First Nation Financial Management Board."*

**The Honourable Jane Philpott Minister of Indigenous Services Canada**



## **Default Prevention and Management Policy ("DPMP")**

As part of its September 2017 commitment, the Government of Canada will work with First Nations partners to replace the DPMP with a new proactive approach that supports capacity development. The new approach will be based on pilot projects currently being conducted with the First Nations Financial Management Board ("FMB") to support First Nations in exiting third party management.

In 2017/18 the FMB continued working with five First Nations as part of the Default Management Prevention Pilot Program ("DMPPP"). This pilot project involves a new approach to getting out and staying out of default management. The FMB's approach focuses on sustainable capacity building and learning by doing. We provide intensive capacity development to support these First Nations to build good governance and finance practices.

The FMB understands the value of meeting the individual needs of First Nations to support them in reaching their goals.

## **Background of the 3-year Default Management Prevention Pilot Project**

In January 2016, the FMB began discussions with the Minister of what was then known as Indigenous and Northern Affairs Canada, on a potential pilot project. The objective of this pilot project was to support defining a new fiscal relationship with First Nations in Canada particularly as it related to default management.

- ▶ In October 2016, five First Nations in third-party management across Canada asked the FMB to support them in building strong governance and finance practices to help them get out and stay out of default management.
- ▶ Through the DMPPP, each Nation has access to intense FMB capacity development resources over a three year period.
- ▶ Building capacity is supporting these Nations to make informed decisions and create a roadmap for community development and well-being.
- ▶ All five participating nations have now been taken out of third party management since participating in the DMPPP.
- ▶ More First Nations across Canada in default management are interested in joining the DMPPP, which comes at no cost to Nation, and is completely optional.

# The Five Participating First Nations

Four First Nations in Manitoba were selected to participate in this pilot. Another First Nation in BC approached the FMB and became a participant. This marks the second of three years for this pilot.

The DMPPP also involves co-developing a new policy on default management with the Assembly of First Nations and Indigenous Services Canada (ISC). This new policy will leverage the lessons learned and successes of the DMPPP.

## **FMB DMPPP Services in 2017/18**

The FMB offered the following diversity of capacity building tools to Council, management and staff that involved:

- ▶ Annual budgeting, multi-year financial planning and variance analysis
- ▶ Facilitation and overview of the annual audit
- ▶ Finance and audit committee training
- ▶ Policy development and implementation
- ▶ Risk management and planning
- ▶ Strategic planning
- ▶ Basic financial literacy
- ▶ Organizational reviews and job descriptions
- ▶ Monthly and quarterly financial reporting
- ▶ Annual reporting
- ▶ FAL BINGO in training sessions!

The DMPPP continued to support the participating First Nations in 2017/18 to build their capacity and create a roadmap for community development and well-being.

In that spirit, the FMB produced an interim report in January 2018 requested from ISC to outline the DMPPP's progress towards achieving its objectives: keys and barriers to success, observations on potential changes to the current DPMP and changes to the DMPPP.

The FMB is continuing to explore the possibility of a larger number of First Nations having access to shared services for First Nations. Through the DMPPP, First Nations can build a healthy sustainable economy for their children, and many generations to come.

# Good Financial Management is a Pathway to Self-Sufficiency

**A**ccess to affordable capital has long been a challenge for First Nations. The capital markets assess risk when they establish the terms of any borrowing.

The evaluation of risk looks at finances, governance, organization stability and the potential impact of future events. The First Nations Financial Management Board (“FMB”) Certification process demonstrates how those real and perceived risks are being managed. The lower the risk profile the better the terms for accessing capital become.

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. The capital market welcomes the standards set by the FMB related to First Nations 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 successful implementation of a First Nation Financial Administrated Law, allowing them to apply for ongoing access to affordable long-term borrowing.

**Scott McLeod**, Chief  
Nipissing First Nation,  
Ontario



“We would encourage other First Nations to pursue certification because it is one step closer for First Nations to get to self-government.”

# FIRST NATIONS MAJOR PROJECTS COALITION

Fiscal 2017/18 marked the third and final year of the Strategic Partnerships Initiative (SPI) funding for the First Nations Major Project Coalition (“FNMPC”). The FNMPC continues to advance economic and environmental interest in relation to major projects. The First Nations Financial Management Board

(“FMB”) has been providing administrative support to FNMPC members in the development of their Financial Administration Laws and Certification(s). The FMB Board of Directors established a Special Initiatives Board Committee to oversee the provision of the FMB support to the FNMPC.

The FNMPC developed and presented an “Ownership Model Toolkit” combining two years of economic research on major projects into a capacity application tool that First Nations can follow if they would like to pursue ownership in a project.

The FNMPC received its first official request for major project capacity support from four First Nations. These actual First Nations projects enabled the FNMPC to apply its major project criteria and approval process, as well as the economic and environmental toolkits it had established in concert with FMB.

The entire scope of these support programs impressed uninvolved First Nations; nine (9) more came aboard by March 2018, bringing membership in the FNMPC to 40 participating Nations. It is also worth noting that the proposed federal Impact Assessment Act, expected to be finalized in 2019, for the first time recognizes that parallel, indigenous-led assessment processes may occur and must be considered by the Crown in any final decisions. The Environmental Stewardship Framework also has the flexibility to support member nations that choose to chart their own indigenous-led assessment course, and has produced documents outlining the options available.



## **FNMPC MEMBERS, 2017/2018**

*THESE 40 FIRST NATIONS HAVE FORMALIZED THEIR PARTICIPATION IN FNMP COALITION BUSINESS*

Gitsegukla Chiefs (2 Chiefs)  
Suskwa Chiefs (8 Chiefs)  
Gitanyow Band Council  
Lake Babine Nation  
Wet’suwet’en  
Saik’uz First Nation  
Cheslatta Carrier Nation  
Matrilineal Coalition (5 Chiefs)  
Gitxsan Govt. Commission  
Nadleh Whut’en  
Burns Lake Band  
T’Kemlups First Nation  
Nak’azadli Whut’en  
Yekooche First Nation

Kaska Dene Council  
Stellat’en First Nation  
Tahltan Central Gov’t.  
Iskut First Nation  
Takla Lake First Nation  
Nazko First Nation  
Conseil Daylu Dena  
Kitselas First Nation  
Lheidli T’enneh First Nation  
Kispiox Band Council  
Skin Tyee First Nation  
Chee Xial Taaiixou  
Gitsegukla First Nation  
Fort Nelson First Nation

## **FMB Achievements in 2017/18**

**+38**

**Letters of Cooperation Signed**

**+34**

**New Financial Administration Laws**

**+33**

**New Financial Performance Certificates**

**+7**

**Financial Management System Certificates**

# Our Business Lines

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The First Nations Financial Management Board (“FMB”) has four business lines. Each business line and its respective activities are represented in the table below:

## Market Development, Financial Administration Law & Stakeholder Relations

- ▶ Develop new markets for FMB services and increase the FMB client base
- ▶ Perform outreach and develop and maintain relations with stakeholders
- ▶ Support First Nations in developing Financial Administration Laws (“FALs”)
- ▶ Provide FAL compliance approval reports and recommendations to the Board

## Capacity Development and Intervention

- ▶ Support First Nations through the Financial Management System (“FMS”) Certification process
- ▶ Develop and deliver financial management capacity development tools and services
- ▶ Develop procedures for Intervention under the First Nations Fiscal Management Act

## Standards and Certification

- ▶ Develop and maintain standards for FALs, Financial Performance (“FP”), FMS and local revenue financial reporting
- ▶ Develop and maintain procedures for Certification of First Nations in accordance with the FMB standards
- ▶ Provide Certification reports and recommendations to the Board of Directors

## Legal and Corporate Services

- ▶ Provide legal counsel to the FMB Board of Directors and management
- ▶ Monitor FMB compliance with all relevant legislation and regulations
- ▶ Provide corporate secretary services and oversee access to information requests
- ▶ Provide internal financial management services
- ▶ Provide internal administrative support services

# FMB's Performance in 2017/18

Below are the accomplishments of all four (4) business lines measured against their established goals.

## Market Development, Financial Administration Laws & Stakeholder Relations

Performance Measure	Performance Results	Achievement
Presentations to 60-75 First Nations	92 Presentations	Exceeded
Obtain 20-25 Letters of Cooperation	38 Letters of Cooperation	Exceeded
4-6 Presentations to other organizations	10 Presentation to Other Organizations	Exceeded
Participation at 2-4 First Nation events	10 First Nation Events Attended	Exceeded
Head sponsor of AFOA International conference	Lead Sponsor at Conference	Met
15-20 new FAL compliance approvals	34 New FAL Compliance Approvals	Exceeded
4-6 updated FAL reviews	14 Updated FAL Reviews	Exceeded

## Standards and Certification

Performance Measure	Performance Results	Achievement
15-20 Financial Performance reviews 43 Financial Performance	Reviews	Exceeded
10-15 Financial Performance certificates	33 Financial Performance Certificates	Exceeded
4-6 Financial Management Systems certificates	7 Financial Management Systems Certificates	Exceeded
Complete review of current standards and publish changes for comments by First Nations, FNFA & FNTC	Completed Review of Standards and Issued Exposure Draft	Met
Conduct research and development of new standards and procedures needed for any periodic review or monitoring activity	Conducted research	Met

## Capacity Development and Intervention

Performance Measure	Performance Results	Achievement
Provide preference capacity development to First Nations in the Borrowing Pool and coming up on the 36 month deadline	Implemented	Met
4-6 First Nations ready for Certification Review	10	Exceeded
8-10 First Nations move from Phase II to III	20	Exceeded
10-12 First Nations move from Phase I to II	38	Exceeded
Conduct workshop at AFOA International Conference	Held	Met
Launch New Website in 2017	Implemented	Met
Establish an interactive dashboard for tracking certifications and capacity development	Implemented	Met
Continue to provide Support in the Default management to First Nations under the DMPPP program	Completed	Met
Submit to INAC a Shared Services pilot project proposal	Completed	Met

## Legal and Corporate Services

Performance Measure	Performance Results	Achievement
Update accountability framework and job descriptions	Not Completed	Ongoing
Update board governance manual	Not Completed	Ongoing
Compile and update the FMB's internal organization policies	Completed	Met
Based on the accountability framework create a plan that will meet the needs for the future	Completed	Met
Conduct research on the Fiscal Relationship initiative	Completed	Met
Develop and Present to INAC the FMB's view and recommendations	Completed	Met
Develop and present to INAC and FMA institutions FMB views and recommendations for substantive legislative changes	Completed	Met
Continue with Section 141 working with the INAC, Province of BC and Treaty bands	Completed	Met

# Forecasting for the Future: First Nations Governance Project



**A**s Canada moves to implement the United Nations Declaration on the Rights of Indigenous Peoples (“UNDRIP”), First Nations are starting to consider how the self-determination rights of the Declaration will apply to their communities and governance structures.

Adopted by the United Nations in September 2007, the Declaration affirms that Indigenous peoples have the right to self-determination in matters that include: political status, economic, social and cultural development. The Declaration also states that Indigenous people have the right to autonomy and self-government relating to their internal and local affairs including ways and means for financing their autonomous functions.



A central tenet of UNDRIP is that Indigenous people will be full and equal partners in defining how they wish to define themselves, govern their communities, and exist in relationship with national and regional governments. To assist First Nations explore how they might best capture UNDRIP rights, the FMB, working with the Institute of Governance, has established the **First Nations Governance Project**. The Project is to provide an Indigenous perspective on how UNDRIP rights could be implemented by interested First Nations within their specific cultural, regional and historical situation.

The ultimate goal of the Project – reflected in the words of James Anaya, former United Nations Special Rapporteur on the Rights of Indigenous Peoples – is to support First Nations be *“full and equal participants in the creation of the institutions of government under which they live and further, to live within a governing institutional order in which they are perpetually in control of the own destinies.”*



Led by Indigenous people and overseen by a national eighteen-person advisory board, the Project is to explore how First Nations can prepare for an UNDRIP future where the governance hopes and aspirations of Indigenous communities can be supported within the Canada federation.

The Project is organized in two phases. Phase I will delineate characteristics of First Nations self-determination including identifying opportunities and barriers for more autonomy in governance and fiscal matters, understanding core First Nations governance standards for a true Nation-to- Nation relationship, and beginning the development of options and models that could provide First Nations with nation rebuilding options.

Phase II will suggest mechanisms and structures to enable First Nations to achieve greater selfdetermination and autonomy, encourage identified nation rebuilding options to transition out of the *Indian Act*, and define long-term options and models that will support the emergence of a new UNDRIP-guided nation-to-nation relationship with Canada.

Mark Podlasly, M.P.A., from Cook’s Ferry has joined the First Nations Financial Management Board (“FMB”) recently to oversee this First Nations Governance Project. Mark has diverse expertise in governance matters. We are pleased to have him join our team.





**“No relationship is more important than the relationship with First Nations.”**

**—The Rt. Hon. Justin Trudeau**

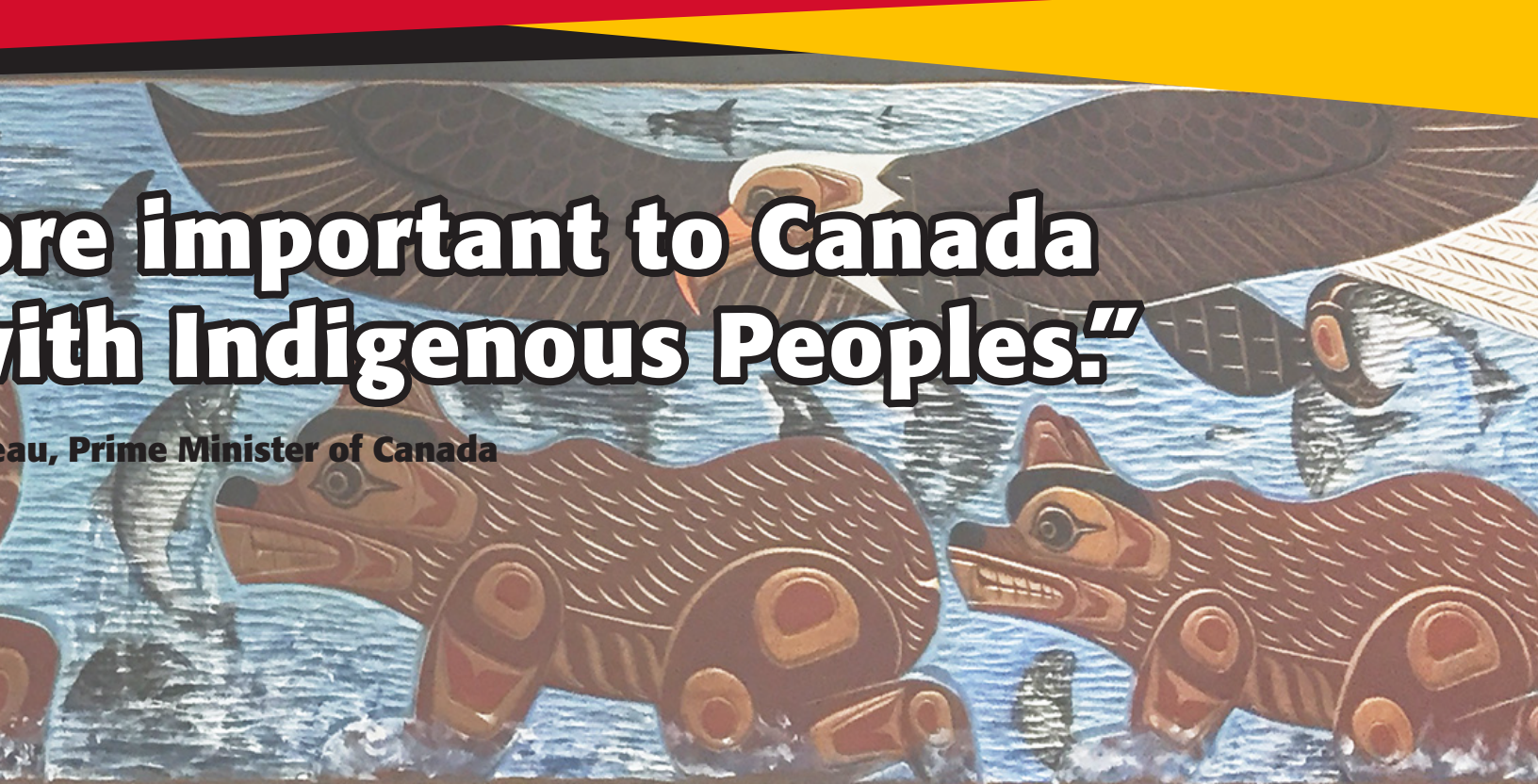
# 10-Year New Fiscal Relationship

A new approach: Co-development of a new fiscal relationship between Canada and First Nations

“Reconciliation calls upon us all to confront our past and commit to charting a brighter, more inclusive future. We must acknowledge that centuries of colonial practices have denied the inherent rights of Indigenous Peoples. The recognition and implementation of Indigenous rights will chart a new way forward for our Government to work with First Nations, Inuit, and Métis Peoples and to undo decades of mistrust, poverty, broken promises, and injustices. We have listened and learned and we will work together to take concrete action to build a better future and a new relationship.”

**—The Rt. Hon. Justin Trudeau, Prime Minister of Canada**





**...re important to Canada  
...ith Indigenous Peoples.”**

**...au, Prime Minister of Canada**

# **Relationship Grants**

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“Today we begin the engagement that will finally address Canada’s uncomfortable truth—centuries of colonial practices have denied the inherent rights of Indigenous Peoples. As we enter the next 150 years of Canada, we will write our future together in partnership with First Nations, Inuit and Métis. The recognition and implementation of Indigenous rights is critical to reconciliation. We invite all Canadians to work to better understand the damage done by our colonial past and join us in the journey of reconciliation.”

**—The Honourable Carolyn Bennett, Minister  
of Crown-Indigenous Relations and Northern  
Affairs**





“We are all working together for our people and for future generations, Nation to Nation. It is about how we support First Nation’s finance and governance with the opportunities and challenges they’ll face in the future.

One particular challenge which communities and most people face, is understanding what a fiscal relationship is, let alone how to manage one. As a First Nations Institution, the FMB is a bridge between the status quo and a new world that is being defined today beyond the Indian Act.

How do we transition out of the Indian Act? This is probably the biggest change in management task that First Nations will face. What financial instruments do we need? How do we build capacity in our own communities? What about in our own membership? What about education? What knowledge? These are all things to which the FMB contributes, becoming that support mechanism for the change of management regime that is going to have to take place as we move towards new horizons.”

**—Harold Calla, FMB Executive Chair**



# FMB Looks to Future Horizons

## 10-Year New Fiscal Relationship Grants

**T**he First Nations Financial Management Board (“FMB”) will work with the Indigenous Services Canada (“ISC”) and the Assembly of First Nations (“AFN”) in the evolution of the 10-Year New Fiscal Relationship Grants.

The FMB will be giving reports and recommendations to the ISC on the eligibility criteria. The ultimate decision on eligibility lies with ISC.

### What is the 10-Year New Fiscal Relationship Grant?

The 10-Year grant is intended to increase the flexibility and the predictability for First Nation governments to manage funds and to reduce the administrative and reporting burden required under contribution agreements.

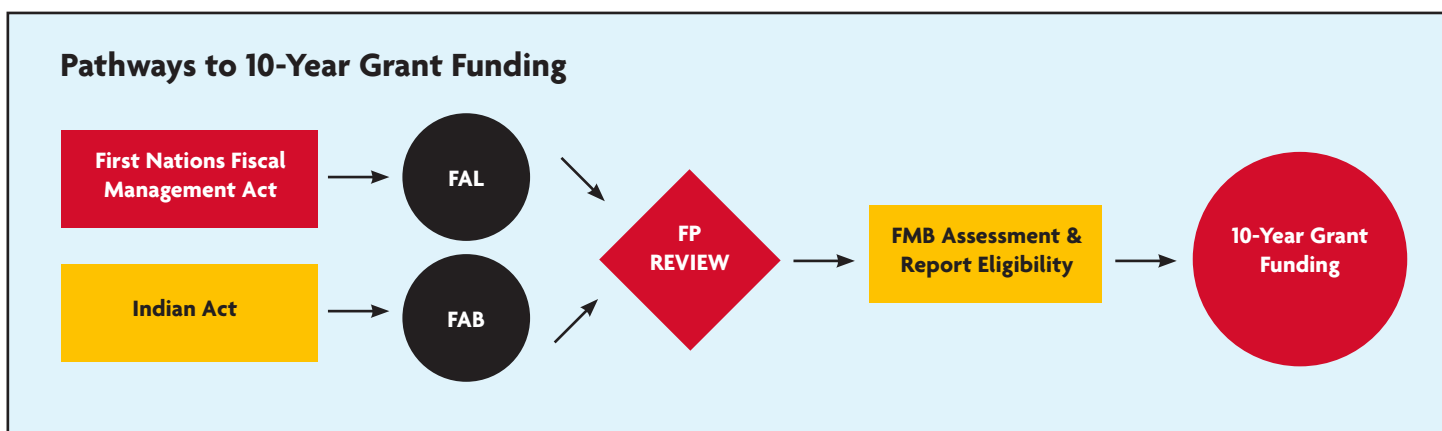
It is important to note that the introduction of a 10-Year Grant does not change the amount of money provided to First Nation Governments. It is funding mechanism only. At this time, proposal based funding will remain outside of the Grant.

### Rationale for the FMB's involvement

- ▶ FMB has established Standards for finance and financial management best practices
- ▶ FMB Standards are based on internationally recognized internal control frameworks
- ▶ FMB Standards have been vetted by credit rating agencies and determine First Nations eligibility to borrow from capital markets via the First Nations Finance Authority
- ▶ ISC Minister released a statement announcing 10-Year Grant Funding December 2017
- ▶ The AFN and ISC agreed to invite FMB to co-develop eligibility criteria built on FMB's existing Standards

### The FMB's Role

- ▶ The FMB will support First Nations during the 10-Year Grant Funding application process
- ▶ FMB will evaluate First Nations against eligibility criteria and provide assessment reports
- ▶ ISC (not FMB) makes final decisions on grant eligibility
- ▶ Where resources are available, the FMB will provide Capacity Development services (at no cost) to First Nations seeking FMS Certification



# New Horizons

A background image showing three tipis in a grassy field at sunset. The sun is low on the horizon, casting a warm orange glow. The tipis are made of light-colored material with dark poles. The foreground is filled with tall, dry grass.

## **First Nations Infrastructure Institution**

The First Nation infrastructure deficit is so significant that we believe that a First Nation Infrastructure Institution is needed to bridge the gap. First Nation's undertakings take longer, are more costly and less durable than those undertaken by any other Canadian government. First Nations organizations and *First Nations Fiscal Management Act* ("FMA") institutions have brought forward several innovations, none of which fit within existing structures. There are positive ongoing conversations regarding the development of optional legislation to create a First Nation's institute as the fourth institution under the FMA.

## **First Nations Statistical Institute**

First Nations governments have not been included in the public accounts of Canada since the First Nations Statistical Institute was removed from the FMA in 2012. This exclusion makes it impossible to compare vital First Nations service standards and expenditures with those of other governments. Many First Nations and the federal government are working on a new fiscal relationship which would establish a new First Nations Statistics Institute to re-incorporate First Nations statistics into those of Canada. Key areas include housing, languages, health, education, child welfare and many other administrative statistics that affect federal government planning and policies.

## **Increasing First Nations Fiscal Powers as part of a New Fiscal Relationship**

Part of the discussion on increased fiscal powers to First Nation governments should come with the ability for First Nations to leverage those new revenue streams.

## **Aboriginal Resource Tax (ART)**

First Nations are advocating the ART to ensure adequate compensation is generated when resource projects occur in their traditional territories. The ART would create more reliable revenues for First Nations, reduce dependency on other governments, recognize and implement First Nations rights, and would reduce administration costs.

# Canada's First Nations on the Move

The concept of an Aboriginal Resource Tax ART is finding favour on a number of fronts, especially as court decisions have confirmed that First Nations retain rights to the lands that comprised their traditional territories. First Nations should make clear that the tax is to be: developed from tax room currently occupied by other governments; standardized and transparent; not subject to unilateral change; based on world benchmark prices, and administratively supported by the First Nations Tax Commission.

## **First Nation Cannabis Tax Jurisdiction**

The federal government introduced the Cannabis Act (Bill C-45) in March 2017. The Department of Finance proposed changes to the Excise Act, 2001 in September 2017 to implement the Cannabis Excise Tax—the higher of \$1/gram or 10% of the sale price. In both cases, First Nations tax and regulatory jurisdiction was not considered. This oversight creates the potential for lost tax revenues to all governments; a similar scenario to the disregarding of First Nations tobacco tax jurisdiction.

Since March, 2017 the First Nations Tax Commission (“FNTC”) has been working with proponents to advance First Nation cannabis tax jurisdiction. The FNTC made formal proposals in this regard in April and August of 2017. In February 2018, the FNTC appeared before the Senate Standing Committee on Aboriginal Peoples and presented a First Nation cannabis tax jurisdiction proposal. This proposal has been well received and there is a recognition of the similarities between First Nations cannabis and tobacco tax jurisdiction.

A third reading of Bill C-45 in the Senate is expected on or before June 7, 2018. A positive vote would enable the legalization of the recreational cannabis industry in Canada. FNTC and proponent First Nations are hoping to soon implement the cannabis tax jurisdiction.

## **Aboriginal Auditor General**

The Memorandum of Understanding between Canada and the AFN on a New Fiscal Relationship has created several exploratory tables. The mutual accountability framework table has held discussions regarding the creation of an Aboriginal Auditor General. The FMB will participate as requested in those discussions.

# ACKNOWLEDGEMENT OF FINANCIAL MANAGEMENT SYSTEM CERTIFICATION

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The First Nations Financial Management Board is pleased to acknowledge the hard work and dedication of the following First Nations governments that have achieved Financial Management System Certification this fiscal year:

Tzeachten First Nation (BC)  
FINANCIAL MANAGEMENT SYSTEM CERTIFICATE ISSUED  
May 2nd, 2017



Fisher River (MB)  
FINANCIAL MANAGEMENT SYSTEM CERTIFICATE ISSUED  
November 16th, 2017



?aqám (BC)  
FINANCIAL MANAGEMENT SYSTEM CERTIFICATE ISSUED  
January 24, 2018



Sts'ailes (BC)  
FINANCIAL MANAGEMENT SYSTEM CERTIFICATE ISSUED  
[March 29, 2018]



Malahat First Nation (BC)  
FINANCIAL MANAGEMENT SYSTEM CERTIFICATE ISSUED  
March 29, 2018



Songhees Nation (BC)  
FINANCIAL MANAGEMENT SYSTEM CERTIFICATE ISSUED  
March 29, 2018



Metlakatla First Nation (BC)  
FINANCIAL MANAGEMENT SYSTEM CERTIFICATE ISSUED  
March 29, 2018



# The FMB's 2017/18 Financial Picture

**T**he following financial statements detail the First Nations Financial Management Board's ("FMB") financial position and activities for the year ending on March 31, 2018. 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 KPMG, LLP, the 2017/18 annual 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 not-for-profit institution that was established in 2005 under the First Nations Fiscal Management Act ("FMA"). The FMB is wholly dependent on funding from Indigenous Services Canada to carry out its work.

## Revenues

In 2017/18 the FMB saw a 5% decrease in its overall revenues due to a decrease in Special Partnerships Initiative funding. However, there is 10% growth in its A-base revenues. The yearover-year increase in A-base funding pertained to a growth of the organization and various projects.

## Expenses

The total cost for the operation of the FMB for 2017-18 was 7.75 million. Increased expenses in client service delivery (\$0.1 Million) and government accreditation (\$0.2 million) were related to the Defaults Management Pilot Project and Government Accreditation program, respectively. Growth in salaries and benefits (\$0.4 million) is primarily due to the hiring of eight full time employee during the year to assist in the delivery of services to the FMB's + 200 First Nation Clients.





## Financial Statements of

First Nations  
**FINANCIAL  
MANAGEMENT  
BOARD**

**LE CONSEIL  
DE GESTION  
FINANCIÈRE** des  
Premières Nations

Year Ended March 31, 2018



# INDEPENDENT AUDITOR'S REPORT

KPMG LLP  
Metro Tower I  
4710 Kingsway, Suite 2400  
Burnaby BC V5H 4M2  
Canada  
Telephone (604) 527-3600 Fax (604) 527-3636



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of 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, 2018, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

### Auditors' 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 our 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, we consider 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, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads "KPMG LLP" with a horizontal line underneath.

Chartered Professional Accountants  
Burnaby, Canada  
June 18, 2018

# FIRST NATIONS FINANCIAL MANAGEMENT BOARD

## Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
<b>Assets</b>		
Current assets:		
Cash	\$ 3,640,246	\$ 3,829,805
Restricted cash (note 5)	200,000	-
Accounts receivable	75,157	80,512
Prepaid expenses	48,317	38,880
	3,963,720	3,949,197
Security deposits	58,643	54,005
Capital assets (note 2)	240,387	194,675
	<b>\$ 4,262,750</b>	<b>\$ 4,197,877</b>


## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 730,154	\$ 1,829,581
Government remittances payable	4,804	1,144
Deferred revenue (note 4)	2,811,496	1,900,972
Intervention reserve fund (note 5)	200,000	-
Current portion of capital lease obligation (note 6)	17,234	16,112
	3,763,688	3,747,809
Capital lease obligation (note 6)	26,454	43,688
	3,790,142	3,791,497
Net assets:		
Invested in capital assets (note 7)	196,699	134,875
Unrestricted	275,909	271,505
	472,608	406,380
Commitments and contingent liabilities (note 9)		
Economic dependence (note 10)		
	<b>\$ 4,262,750</b>	<b>\$ 4,197,877</b>

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

# FIRST NATIONS FINANCIAL MANAGEMENT BOARD

## Statement of Operations

March 31, 2018, with comparative information for 2017

	2018	2017
<b>Revenue:</b>		
Indigenous and Northern Affairs Canada ("INAC") funding	\$ 7,367,583	\$ 6,685,716
INAC - Strategic partnerships initiative project	214,346	1,549,435
INAC - Governance accreditation	232,449	-
Interest income	1,550	1,442
	<b>7,815,928</b>	<b>8,236,593</b>
<b>Expenses:</b>		
Amortization	67,258	73,729
Client service delivery (note 11)	1,433,954	1,300,910
Corporate services	1,142,808	1,126,304
Director fees and expenses	460,255	464,026
Governance accreditation	232,449	-
Policy development	703,953	884,969
Salaries and benefits	3,074,245	2,626,180
Strategic partnerships initiative project (note 8)	214,346	1,549,435
Travel	420,432	232,585
	<b>7,749,700</b>	<b>8,258,138</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 66,228</b>	<b>\$ (21,545)</b>

See accompanying notes to financial statements.

# FIRST NATIONS FINANCIAL MANAGEMENT BOARD

## Statement of Changes in Net Assets

March 31, 2018, with comparative information for 2017

	Invested in capital assets (note 7)	Unrestricted	Total 2018	Total 2017
Balance, beginning of year	\$ 134,875	\$ 271,505	\$ 406,380	\$ 427,925
Excess (deficiency) of revenue over expenses	(67,258)	133,486	66,228	(21,545)
Net change in investment in capital assets (note 7)	129,082	(129,082)	-	-
Balance, end of year	\$ 196,699	\$ 275,909	\$ 472,608	\$ 406,380

See accompanying notes to financial statements.

# FIRST NATIONS FINANCIAL MANAGEMENT BOARD

## Statement of Cash Flows

March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 66,228	\$ (21,545)
Item not involving cash:		
Amortization	67,258	73,729
Changes in non-cash operating working capital:		
Accounts receivable	5,355	(37,003)
Prepaid expenses	(9,437)	(20,710)
Security deposit	(4,638)	-
Accounts payable and accrued liabilities	(1,099,427)	228,396
Due to related party	-	(50,613)
Government remittances payable	3,660	(11,359)
Deferred revenues	910,524	1,314,369
Intervention reserve fund	200,000	-
	139,523	1,475,264
Investing:		
Purchase of capital assets	(112,970)	(36,940)
Financing:		
Capital lease principal payments	(16,112)	(15,063)
Increase in cash	10,441	1,423,261
Cash, beginning of year	3,829,805	2,406,544
Cash, end of year	\$ 3,840,246	\$ 3,829,805
Cash consists of:		
Cash	\$ 3,640,246	\$ 3,829,805
Restricted cash	200,000	-
	\$ 3,840,246	\$ 3,829,805

See accompanying notes to financial statements.

# FIRST NATIONS FINANCIAL MANAGEMENT BOARD

## Notes to Financial Statements

March 31, 2018, with comparative information for 2017

### Nature of operations:

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

### 1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

#### (a) Revenue recognition:

FNFMB follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred or the restrictions have been met.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### (b) Capital assets:

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over the estimated useful life of each asset on a straight-line basis as follows:

Asset	Rate
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 a capital asset no longer contributes to FNFMB's ability to provide services, its carrying amount is written down to its residual value, if any.

#### (c) 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.

# FIRST NATIONS FINANCIAL MANAGEMENT BOARD

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## Notes to Financial Statements (continued)

March 31, 2018, with comparative information for 2017

### 1. Significant accounting policies (continued):

#### (d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. FNFMB has not elected to carry any such financial instruments at fair values.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets carried at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, FNFMB determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount FNFMB expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

#### (e) Use of estimates:

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

#### (f) Due to related party and related party transactions:

Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management and immediate family members.

A related party transaction is a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

# FIRST NATIONS FINANCIAL MANAGEMENT BOARD

## Notes to Financial Statements (continued)

March 31, 2018, with comparative information for 2017

### 2. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 407,020	\$ 316,721	\$ 90,299	\$ 41,486
Leasehold improvements	269,977	241,767	28,210	25,553
Office furniture and fixtures	242,315	153,201	89,114	78,491
Office equipment under capital lease	90,100	57,336	32,764	49,145
	\$ 1,009,412	\$ 769,025	\$ 240,387	\$ 194,675

### 3. Due to related party and related party transactions:

During the year, FNFMB incurred expenditures of \$237,733 (2017 - \$94,186) in consulting fees to an entity sharing the same board member or director or employing an immediate family member of a board member or director. As at March 31, 2018, \$4,549 is payable to the related party (2017 - nil) which has been included in accounts payable and accrued liabilities.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### 4. Deferred revenue:

Deferred revenue represents funding received for programs to be carried out in the following fiscal year:

	Balance, beginning of year 2017	Funding received	Transferred to intervention reserve fund (note 5)	Amounts recognized as revenue in the year	Balance end of year 2018
INAC core funding: A-based and mid-year (amendment #9) (a)	\$ 1,013,712	\$ 7,091,300	\$ (200,000)	\$ (6,827,283)	\$ 1,077,729
INAC governance accreditation (amendment #3)	-	1,080,000	-	(232,449)	847,551
INAC default prevention pilot (amendment #8)	672,914	743,602	-	(540,300)	876,216
INAC coalition steering committee (amendment #10)	214,346	-	-	(214,346)	-
First Nations Tax Commission - national joint conference	-	10,000	-	-	10,000
	\$ 1,900,972	\$ 8,924,902	\$ (200,000)	\$ (7,814,378)	\$ 2,811,496

# FIRST NATIONS FINANCIAL MANAGEMENT BOARD

## Notes to Financial Statements (continued)

March 31, 2018, with comparative information for 2017

### 4. Deferred revenue (continued):

- (a) During the year ended March 31, 2018, FNFMB incurred expenditures and recognized revenue of \$703,019 for client service delivery, \$226,968 for policy development and \$83,725 for corporate services. These funds were received in the previous fiscal year and the total of \$1,013,712 is included in amounts recognized as revenue in the year ended March 31, 2018.

### 5. Intervention reserve fund

During the year, FNFMB received \$200,000 (2017 - nil) for the intervention reserve fund. The fund is to be used towards eligible costs in the event that FNFMB is required to intervene in the operations of a First Nation. The fund is not to exceed \$500,000. During the year, no expenditures were incurred from this fund (2017 - nil). The cash related to this fund has been segregated as restricted cash.

### 6. Capital lease obligation:

In March 2015, FNFMB entered into a capital lease to acquire office equipment. The lease expires in August 2020. Future minimum payments for the year ended March 31 are as follows:

2019	\$	19,656
2020		19,656
2021		8,156
		47,468
Less amount representing interest at 6.75% per annum		3,780
		43,688
Less current portion		17,234
	\$	26,454

### 7. Net assets invested in capital assets:

- (a) Net assets invested in capital assets are calculated as follows:

	2018	2017
Capital assets	\$ 240,387	\$ 194,675
Capital lease obligation	(43,688)	(59,800)
	\$ 196,699	\$ 134,875

# FIRST NATIONS FINANCIAL MANAGEMENT BOARD

## Notes to Financial Statements (continued)

March 31, 2018, with comparative information for 2017

### 7. Net assets invested in capital assets (continued):

(b) Change in net assets invested in capital assets is calculated as follows:

	2018	2017
Net change in investment in capital assets:		
Purchase of capital assets	\$ 112,970	\$ 36,940
Repayment of capital lease	16,112	15,063
	\$ 129,082	\$ 52,003

(c) Excess (deficiency) of revenue over expenses:

	2018	2017
Amortization on capital assets	\$ (67,258)	\$ (73,729)

### 8. Strategic partnerships initiative project expenses:

	2018	2017
<b>Ring of fire:</b>		
Outreach and conference	\$ -	\$ 48,022
<b>West coast energy:</b>		
Certification	-	158,204
<b>Coalition steering committee:</b>		
Community outreach	28,196	336,916
Economic participation	55,803	207,347
Environmental participation	35,430	183,407
Project administration	10,250	142,118
Regional caucus	53,516	255,974
Steering committee meeting	31,151	217,447
	214,346	1,343,209
	\$ 214,346	\$ 1,549,435

# FIRST NATIONS FINANCIAL MANAGEMENT BOARD

## Notes to Financial Statements (continued)

March 31, 2018, with comparative information for 2017

### 9. Commitments and contingent liabilities:

- (a) FNFMB leases its office premises under an operating lease agreement expiring in fiscal 2022. FNFMB is obligated to make the following lease payments plus its proportionate share of the operating costs and property taxes which are approximately \$16,085 per month. FNFMB is also committed under an operating lease for equipment expiring in fiscal 2020.

Future minimum payments for the year ended March 31 are as follows:

2019	\$ 195,191
2020	172,228
2021	161,936
2022	15,893
2023	2,398
	\$ 547,646

- (b) FNFMB is from time-to-time, engaged in or party to certain legal actions involving uncertainty which may result in material losses. The outcome and amounts that may be payable, if any, under some of these claims, cannot be determined and accordingly only those claims in which a payment is considered likely and the amount can be reasonably estimated have been recorded in the financial statements as a liability.

### 10. Economic dependence:

FNFMB's ongoing operations are dependent on continued funding from INAC to carry out its programs.

### 11. 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.

### 12. Financial risks and concentration of risk:

FNFMB believes that it is not exposed to significant foreign currency, interest rate, market or credit risks arising from its financial instruments.

Liquidity risk is the risk that FNFMB will be unable to fulfill its obligations on a timely basis or at a reasonable cost. FNFMB manages its liquidity risk by monitoring its operating requirements. There has been no change to risk exposure from 2017.



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