

First Nations FINANCIAL MANAGEMENT BOARD **LE CONSEIL DE GESTION FINANCIÈRE** des Premières Nations

2018/2019 ANNUAL REPORT

Focusing on the Future

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Mission & Values

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 As the FMB sets the standards of the FMA, **Integrity** is important to this organization.

RELEVANCE

Relevance for quality and appropriateness to meet today's needs for First Nations.

RESPONSIVE

Responsiveness for the FMB's ability to make decisions quickly and effectively.



Mandate

he First Nations Fiscal Management Act ("FMA") establishes the following mandate for the FMB (ss. 49 and 50):

- » Assist First Nations in developing the capacity to meet their financial management requirements;
- » Assist First Nations in their dealings with other governments respecting financial management, including matters of accountability and shared fiscal responsibility;
- » Assist First Nations in the development, implementation and improvement of financial relationships with financial institutions, business partners and other governments, to enable the economic and social development of First Nations;
- » Develop and support the application of general credit rating criteria to First Nations;
- » Provide review and audit services respecting First Nation financial management;
- » Provide assessment and certification services respecting First Nation financial management and financial performance;
- » Provide financial monitoring services respecting First Nation financial management and financial performance;
- Provide co-management and third-party management services;
- » Provide advice, policy research and review and evaluative services on the development of fiscal arrangements between First Nations' governments and other governments; and
- » Establish standards respecting:
 - the form and content of First Nation financial administration laws (FMA section 9);
 - approval of financial administration laws that comply with the standards;
 - certification of First Nation financial management systems and financial performance (FMA section 50); and
 - financial reporting (FMA section 14)

n response to our mandate, in 2018/2019 the FMB focused on Default Management, Governance Systems and 10-Year Grants. These will be touched on later in the Annual Report.

Default Management – The FMB is co-developing a new approach to default management with the Assembly of First Nations ("AFN") and Canada based on a new capacity development strategy and increased investment in First Nations governments.

Governance Systems (GS) – GS will soon include training programs for Chiefs, Councils, and key staff on good governance practices that will integrate the United Nations Declaration of the Rights of Indigenous Peoples ("UNDRIP") principles.

10-Year Grants – A Memorandum of Understanding between Indigenous Services Canada ("ISC") and the FMB was executed in 2018 wherein the FMB would develop policies for the evaluation of the 10-year grant eligibility criteria that were co-developed by ISC and the AFN.



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FMB at a Glance

What is the FMB?

The FMB is a national First Nations institution created by the FMA. The FMB supports First Nations in their pursuit of social and economic well-being through the development of strong governance and financial management systems.

What is the FMA?

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 FNFA.



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Message from the Executive Chair

am pleased to present the 2018/2019 Annual Report of the First Nations Financial Management Board. This was an extremely successful year for the FMB as we assisted 89 First Nations in obtaining a 10-year grant agreement as part of the New Fiscal Relationship Initiative. This historic turn of events will allow those First Nations who have signed a 10-year grant agreement the ability to govern their community to meet their needs as opposed to administering program funds.

The FMB is recognized as a national organization with employees across Canada. We now have offices in West Vancouver, BC, Winnipeg, MB, Ottawa, ON, Montreal, QC as well as satellite offices in Prince George, BC and Dartmouth, NS to better assist the First Nations who seek our assistance in the services that we provide.

The FMB continues to see success with the Default Management Prevention Pilot Project ("DMPPP") wherein participating First Nations have moved out of third-party management and will soon to be managing their own governmental and administrative affairs. The FMB's approach has always been to develop capacity and to provide support to First Nations that need it and not to penalize them for their misfortune.

Phase I of FMB's Governance Project was tabled and receives interest from First Nations, First Nations organizations and government on what selfdetermination could look like for First Nations post *Indian Act*. If funded in 2019/2020, Phase II will continue the outreach and look at pilot projects.

Although we have shown a lot of advancement in the past couple of years, it is important to remember where we came from and what got us here as Indigenous people. We must remember that the FMA is a critical factor that provides support for First Nations for better financial management and good governance practices and that we continue that path while focusing on new opportunities to improve lifestyles of First Nations across Canada. It is fitting that our theme this year is "remembering our past while focusing on the future".

The FMB's mandate has been expanded as a result of the FMA legislative amendments that occurred in December 2018, to allow the FMB to provide services to Tribal Councils, First Nations organizations, selfgoverning and modern day Treaty First Nations so that



they can also receive the same benefits of the FMA just as First Nations communities do. This will require a lot of work on the part of the staff and the Board, but it will be well worth it at the end.

On behalf of the Board of Directors and the staff of the FMB, we continue to look forward to providing support to First Nations while focusing on the future to self-determination while remembering the past.

Wa Chexw yuu,

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

> "This was a historic year for the FMB as we assisted 89 First Nations in obtaining a10-year grant agreement as part of the New Fiscal Relationship Initiative."

Message from the Chief Operating Officer

The 2018/2019 fiscal year was definitely a year to remember as the FMB had another record-breaking year of accomplishments.

The staff's outstanding performance, on all levels, was nothing short of remarkable from opening offices across the country, to finding qualified employees who possess passion and dedication to the mandate of the FMB, to issuing Financial Administration Law compliance approvals, to certifying First Nations. This same staff took on additional responsibilities from its normal year-to-year operational activities to include 10-year grant agreements. In this regard, the FMB co-developed grant eligibility criteria for 10-year grants with respect to reviewing First Nations' Financial Administration Laws and Bylaws and Financial Performance and issuing compliance opinions to the ISC.

The FMB will continue to move forward with the DMPPP by expanding it to include another 20 First Nations. We will work with them to improve their financial management system in order to get out of default management and to become an effective and efficient First Nation government. We will also continue to move forward on the Governance Project by conducting a pilot project on best practices and then developing benchmarks and a training program for First Nations governments who are looking to opt out of the *Indian Act*. Furthermore, the FMB will continue to pursue Shared Services as this is crucial for those First Nations who require them to be able to utilize the benefits of the FMA.

The FMB's goal for the future is to continue to socially and economically improve the lifestyles of First Nations across the country – from coast-to-coast-to-coast and everywhere in between.

Mahsi'.

Brian Titus, *CAFM* Tr'ondëk Hwëch'in First Nation, YT

Chief Operating Officer



"The staff's outstanding performance, on all levels, was nothing short of remarkable from opening offices across the country, to finding qualified employees who possess passion and dedication to the mandate of the FMB, to issuing Financial Administration Law compliance approvals, to certifying First Nations."

Board of Directors

he FMB welcomes two new board members who were appointed in 2018/2019: Leonard Odjick (Quebec) and Dillon Johnson (British Columbia).



Harold Calla, FCPA, FCGA, CAFM

Executive Chair

Squamish Nation, BC

- Audit & Risk Management Committee Governance & Human Resources Committee
- Standards, Approvals & Certifications Committee
- Executive Committee

Amy Comegan, CPA, CGA, CAFM

Anishinaabeg of Naongashiing First Nation, ON

- Audit & Risk Management Committee
- Governance & Human Resources Committee
- Marketing & Capacity Development Committee



Norman Grdina, FCPA, FCGA, CAFM, CFE

- Standards, Certifications & Approvals Committee
- Marketing & Capacity Development Committee
- Audit & Risk Management Committee Executive Committee





Vice-Chair

Metis, AB

Governance & Human Resources Committee

- Standards, Approvals & Certifications Committee
- Executive Committee

Caroline Davis, FCPA, FCA

Audit & Risk Management Committee Standards, Approvals & Certifications Committee



Michael McIntyre, *CA*, *CAFM* Membertou First Nation, NS

Audit & Risk Management Committee Standards, Approvals & Certifications Committee



Jim Prodger, CAFM

Audit & Risk Management Committee Standards, Approvals & Certifications Committee

Executive Committee



Dana Soonias, CAFM, ICD.D

Red Pheasant Cree Nation, SK

- Governance & Human Resources Committee
- Marketing & Capacity Development Committee



Leonard Odjick Kitigan Zibi Anishinabeg, QC

- Marketing & Capacity Development Committee
- Standards, Approvals & Certifications Committee



Dillon Johnson, B.Comm, MBA, CAFM

Tla'amin Nation, BC

- Governance & Human Resources Committee
- Audit & Risk Management Committee

Special acknowledgement and appreciation to Joanna Bernard (New Brunswick) for her service ending 2018/2019.

Board Committees & Leadership Team

FMB Board Committees



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Business Lines

Market Development, Laws & Stakeholder Relations

Capacity Development

» 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 FALs and Bylaws
- » Provide FAL compliance approval reports and recommendations to the Board
- » Provide FAL and FAB compliance opinions for recommendation for Ministerial approval

» Support First Nations through the FMS Certification process

- » Develop and deliver financial management capacity development tools and services
- » Develop strong governance and finance practices to help First Nations get out of and stay out of default management
- » Develop procedures for Intervention under the FMA

Standards & Certifications

& Intervention

- » Develop and maintain standards for FALs, FP Certificates, FMS Certificates and local revenue financial reporting
- » Develop and maintain procedures for Certification of First Nations in accordance with FMB standards
- » Provide Certification reports and recommendations to the Board of Directors
- » Provide FP Reports for Grant Eligibility for recommendation for Ministerial approval

Corporate Services

- » 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

Governance

- » Advance Nation-to-Nation relationships based on effective and meaningful Crown-Indigenous principles
- » Be grounded in the self-determination principles of UNDRIP
- » Recognize the interaction between governance, community capability and fiscal and government autonomy

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

The Market Development, Laws and Stakeholder Relations ("MLS") business line is responsible for the initial interaction between the FMB and its clients as well as the expanded function of introducing the FMB to the public. The MLS team works from Coast-to-Coast-to-Coast in making sure that we support our First Nations clients as they undertake their individual journeys towards improved financial management systems.

he MLS team looks to three areas that form the core of this business line:

- » Market Development: Comprises activities that include marketing and outreach to grow and maintain the FMB client base, deliver presentations to existing and potential clients and stakeholders, client visits and attending and organizing events;
- » Laws: Comprises activities that provide operational support to clients that wish to develop a Financial Administration Law ("FAL") or a Financial Administration Bylaw ("FAB"); and
- » Stakeholder Relations: Comprises activities that maintain and build relationships with the FMB and its internal and external stakeholders.

In 2018/2019, all three areas saw tremendous growth and success.

Market Development delivered a record-breaking 123 presentations across Canada. This resulted in an increase of the number of First Nations scheduled to the FMA to 269 as of March 31, 2019. In addition, 68 First Nations expressed interest in working with the FMB and became new clients. We now have 177 proud Nations with a FAL.

Last year, 40 First Nations adopted a FAL and 10 First Nations adopted a FAB. Furthermore, 25 First Nations chose to update their existing FAL to meet current standards.

Stakeholder Relations is perhaps where we witnessed substantive expansion as we rolled out our social media and communications strategies to connect and engage with our stakeholders across a variety of platforms. We also took advantage of profiling the success of our clients and our services at 30 Indigenous events and Joint Gatherings from coast-to-coast-to-coast.

As we prepare for another busy and eventful year, I am pleased to announce that the MLS team has grown through the recent recruitment of a Senior Business Development Manager (Canada) and we now have



Managers of Business Development in the East and the West. Finally, we are pleased to bring on board a new Communications Specialist and a new Paralegal.

In closing, I would like to acknowledge that the FMB works to serve our First Nations clients. Upon request, the FMB can provide the tools and guidance to support Nations on their individual journeys. It is a privilege to work at the FMB and the MLS team is excited as we gear up for a new year, new challenges and bigger accomplishments for us but most importantly, for our clients!

Sincerely,

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

"Market Development delivered a record-breaking 123 presentations across Canada."

Message from the Director of Capacity Development & Intervention

The Capacity Development and Intervention team ("CDI") supports First Nations in bringing their Financial Administration Law to life and achieving Financial Management System ("FMS") Certification 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 economic development and empowerment.

The CDI business line is proud to have served the FMB's ever-expanding client base across Canada, as they put in place good governance and finance practices to achieve FMS Certification. In 2018/2019, the CDI team worked with 174 First Nations of which 13 applied for FMS Certification. The number of clients applying for FMS Certification is growing steadily yearover-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 hold 24 regional workshops across Canada, host 2 webinars and to develop 8 new workshops and an entirely new toolkit for 10-year grants. These are available on the FMB's mobile friendly website which allows clients to access 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 DMPPP in year three of the pilot project. The 2018/2019 fiscal year demonstrated that the five First Nations that began this journey have now strengthened their governance and finance practices as they work towards FMS Certification. As a result, we are pleased to announce that two of the five communities are proceeding to de-escalate from ISC default management by September 30, 2019 and the remaining three communities will be doing the same by March 31, 2020. Given the success of the original five participating First Nations governments in the DMPPP, an additional twenty First Nations governments have now joined.

The future is bright for First Nations working with the CDI team. Our growing 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 of prosperity and well-being through FMS Certification.

Sincerely,

Suzanne Trottier, CFA, MBA

Metis, MB

"FMS Certification is increasingly being recognized as a key step on the path to First Nations governments' empowerment and autonomy."

Message from the Director of Standards & Certifications

The Standards and Certification ("SAC") 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.

n 2018/2019, the SAC team was asked by Indigenous Services Canada to review and report on the financial performance of First Nations who expressed interest in 10-year grants. This resulted in over 165 reviews being completed, with approximately 90 percent of First Nations meeting financial performance grant eligibility.

Interest by First Nations in achieving FMS Certification continues to grow. To respond to this interest, we conducted 10 independent financial management system reviews and issued eight FMS Certificates during the year. These achievements represent the commitment by each First Nation to bring their FAL to life and to demonstrate accountability and transparency.

The SAC team has supported First Nations' access to the capital markets through the FNFA. During the year we conducted 30 independent financial performance reviews which lead to the issuance of 29 FP Certificates for First Nations throughout the country. This has supported the continued expansion of the FNFA's borrowing pool.

Over the past year, we undertook a comprehensive review of our standards and continued to listen to the needs of First Nations. An Exposure Draft containing proposed changes in over 16 areas was released in December 2018 for comment by all stakeholders. After considering the comments and feedback received to these proposed changes, the FMB approved a new edition of its Standards with an effective date of April 1, 2019.

Over the next year, we will be developing new Standards for Tribal Councils and other not-for-profit First Nation organizations and contributing to the development of a new regulation under section 141.1 of the FMA. We anticipate responding to the continued



interest by First Nations to qualify for 10-year grants being offered by the ISC and otherwise look forward to working with each community towards their certification goals.

Sincerely,

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

"During the year we conducted 30 independent financial performance reviews which lead to the issuance of 29 Financial Performance Certificates for First Nations throughout the country."

Message from the Director of Corporate Services

Organizational support by Corporate Services benefits the FMB with specialized knowledge, economies of scale, best practices and technology for effective and efficient operations. Corporate Services includes board support, financial management and reporting, human resources, information technology, access to information, records management, security, property management and internal policy development and implementation.

As FMB continues to expand its national presence by supporting First Nations communities with their financial systems and performance needs, it also ensures its own internal structure and financial management meets best practices. In addition, the department assists with strategic, corporate and financial planning.

In 2018/2019, growth at the FMB highlighted a need for a more formalized Corporate Services function. Human resources, information technology and digital media transitioned from outsourced to in-house services under the leadership of a new role, the Director of Corporate Services. In support of FMB clients in eastern Canada, new offices opened in Montreal, Ottawa and the Atlantic region with new staff added to meet demand.

In the upcoming year, to address the need for more the continued growth, expansion and additional offices are on the horizon. The head office and the Winnipeg offices are expanding and two new office locations are under consideration. Resourcing challenges will continue with evolution in technology as well as recruitment, retention and succession planning expectations.

The 2019/2020 fiscal year promises to be another busy year with an expectation of new clients for existing services; new initiatives and new service offerings and expansion of potential clients. As a voluntary service, the benefits offered by the FMB are attractive and the client base continues to grow. Corporate Services will continue to support front-line staff as they work with clients in the best interests of First Nations and of Canada.

Sincerely,

Mindy Smith, CPA, CA, CIA, MBA



"In 2018/2019, growth at the FMB highlighted a need for a more formalized Corporate Services function. Human resources, information technology and digital media transitioned from outsourced to in-house services."

HOW FMB SUPPORTS FIRST NATIONS

First Nations Fiscal Management Act

One of the primary objectives of the *First Nations Fiscal Management Act* ("FMA") is to support First Nations in building fiscal and financial management capacity. This will enable First Nations to finance 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:

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.

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, the FMB supports First Nations in identifying capacity needs and assists in planning to address those needs.

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Achievements in 2018/2019

First Nations with Letters of Cooperation Signed +3 First Nations with Financial Administration Laws **O** First Nations with Financial Performance Certificates **First Nations with Financial Janagement System Certificates** 8

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Map of Clients





Acknowledgement of Financial Management System Certification

he 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 in 2018/2019.

Chippewas of Rama First Nation (ON)

May 3, 2018





Skowkale First Nation (BC)

May 3, 2018

Skeetchestn Indian Band (BC)

May 22, 2018





Cowichan Tribes First Nation (BC)

July 25, 2018



Splatsin (BC) November 29, 2018





Wasauksing First Nation (ON)

January 23, 2019

Mistawasis First Nation (SK)

March 29, 2019







Opaskwayak Cree Nation (MB)

March 29, 2019

Wasauksing Receives FMS Certificate

asauksing First Nation, located 160 km south of Sudbury near Parry Sound, has become the 17th First Nation government in Canada to receive an FMS Certificate from the FMB.

On their journey towards FMS Certification, the Nation developed a FAL and received an FP Certificate that allowed the Nation to become a borrowing member of the FNFA. To achieve FMS certification, the Nation began working closely with the FMB staff to bring their FAL to life.

Chief Warren Tabobondung said, "Our community is very happy that we have been able to achieve this great milestone. The whole certification process was driven by our community through our last strategic plan and is a strong validation of our commitment to sound and effective financial management. We look forward to the great opportunities that this creates for our community's future."

The team at the FMB worked diligently with Wasauksing First Nation in making this certification possible. The FMB recognizes that the Nation came from a position of strength before receiving certification and this achievement has only made it stronger. Most importantly, it firmly sets the First Nation on its journey towards self-determination.

"Wasauksing First Nation is looking forward to being better able to accomplish our strategic plan objectives with the help of more affordable and favourable longterm financing made available through the FNFA as a result of its FMS. The certification also provides a sound foundation for governance and enhances accountability within the community," explained Craig Brown, Chief Executive Director of Wasauksing First Nation.

Wasauksing First Nation is an Anishinabe/ Pottawatomi community that has approximately 1,200 citizens with approximately 400 of those living onreserve. The organization has a staff of approximately 90 and provides programs and services in a broad range of areas including health, economic development, social services, public works, housing, lands management, membership/citizenship and education.



"Our community is very happy that we have been able to achieve this great milestone. The whole certification process was driven by our community through our last strategic plan and is a strong validation of our commitment to sound and effective financial management. We look forward to the great opportunities that this creates for our community's future." - Wasauksing Chief Warren Tabobondung

Mistawasis First in Saskatchewan to Receive FMS Certification

Mistawasis Nêhiyawak First Nation has become the first in Saskatchewan to receive an FMS Certificate through the FMB. Located about 85 kilometers west of Prince Albert, and 130 kilometers north of Saskatoon, this Cree Nation takes it names from its first chief, Chief Mistawasis, or "Big Child". He was the first person to sign Treaty 6 in 1876.

The Nation has made its mark in the business world through the establishment of Misty Ventures Incorporated that has further created seven prosperous companies engaged in a variety of businesses like petroleum, property management, engineering, chemicals, etc.

Mistawasis Nêhiyawak had heard of the benefits of getting FMS certification. Eighteen First Nations across Canada have received this certification with Mistawasis being the 19th in Canada and 1st in Saskatchewan.

"We went through the FMS Certification process as it supported Mistawasis Nêhiyawak in developing and implementing sound finance and administrative governance practices", said Director of Operations Louis LeDoux. He continued that these practices would help build fiscal capacity for the present and for the future and help prepare the Nation for self-government when it is ready to take that step.

Mistawasis Nêhiyawak is looking forward to the future, opening new doors and doing new things. Chief Daryl Watson said, "Development and implementation of policies and procedures for day-to-day financial activities will lead to long-term sustainability for Mistawasis Nêhiyawak. It is paramount to develop structure with short-term and long-term strategic plans/work plans for good administrative governance for our Membership, for future generations, and for our business partners."

As of April 2019, Mistawasis population is 2,834 in total, with approximately 1,200 living on the Reserve. 1,634 are living in various urban centers across Canada and the World.



"Development and implementation of policies and procedures for day-to-day financial activities will lead to long-term sustainability for Mistawasis Nêhiyawak." - Mistawasis Chief Daryl Watson



TEMPLATES

SAMPLE DOCUMENTS

STANDARDS

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. We support our clients with tools and resources to help First Nations understand what Financial Administration Law development and implementation can do for them. FMB's toolkits also help leaders, managers and staff at First Nations to 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 and tools is available on the FMB website at FNFMB.com

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WORKSHOPS

- Governing for Success
 - What is the FAL?
- Managing Conflicts of Interest
- Demystifying the Finance and Audit Committee
 - Developing Policies
 - All About Finance
- Audited Financial Statements: The Story They Tell
 - Strategic Planning
 - Planning and Budgeting
 - Managing Capital Assets
- Introduction to Risk Management
 - Multi-Year Financial Planning
 - Financial Reporting
 - Integrated Planning
 - Change Management
 - Information Privacy

WEBINARS

GUIDEBOOKS



Default Management Prevention Pilot Project

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 FMB to support First Nations in exiting third-party management.

In 2018/2019 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 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 First Nation has access to intense FMB capacity development resources over a threeyear period. Building capacity is supporting these First Nations to make informed decisions and create a roadmap for community development and well-being.

All five participating First Nations have now been taken out of third-party management since participating in the DMPPP. The average number of years in third-party management for these five First Nations governments was approximately 12 years, with a range of 6 to 23 years.

Two of the five participating First Nations are expected to completely de-escalate from all forms of default management by June 30, 2019 with the other three by March 31, 2020.

As at March 31, 2019, an additional 20 First Nations governments expressed an interest in joining the DMPPP. The new default management policy is currently being co-developed by ISC and the AFN with support from the FMB in consultation with First Nations governments across Canada.

20 additional First Nations governments expressed an interest in joining the DMPPP



FMB DMPPP Services in 2018/2019

The DMPPP continued to support the participating First Nations in 2018/2019 to build their capacity and create a roadmap for community development and well-being.

The FMB is continuing to explore the possibility of at least ten First Nations governments having access to Indigenous Shared Services for First Nations. Through the DMPPP, First Nations can build a healthy sustainable economy for their children, and many generations to come.

First Nations Leading The Way Conference

Ay 2018 marked an important milestone for First Nations Fiscal Institutions (First Nations Financial Management Board, First Nations Finance Authority and the First Nations Tax Commission) and the First Nations Lands Advisory Board as they came together to establish 'First Nations Leading the Way' National Conference held at the River Rock Casino Resort in Richmond, BC on Musqueam Territory.

The goal of this conference was to highlight the efforts of First Nations working in collaboration with the Institutions towards implementing tools and systems for their communities so they can achieve their economic and financial goals in their individual journeys towards self-determination.

Some of the Key Highlights from this event are as follows:

- » The event drew out representatives from 150 First Nations across Canada.
- » The conference was broadcast live via webcast and made available to other First Nations.
- » 20 presentations were made over a two-day period from leaders of Indigenous governments and business communities that highlighted the progress of First Nations achieved through using First Nation-led agreements and legislation. The presentations displayed how First Nations can improve their economies through fiscal independence, improved financial management, debenture financing and sound land governance.
- » Three short films were released at the Conference and on social media on the benefits of jurisdiction-based fiscal relationship and importance of fiscal power.
- » A graphic artist was on site to create visually appealing and engaging illustrations during the presentations and panels that summarized the concepts and topics being discussed. At the end of the meeting, she created the large poster below that captures the overall themes during the two-day event.



LIVE DRAWING by COSSANA BUILING - LOVE LETTERS BY EVERYBODY CA-

- » Throughout the event, delegates had an opportunity to provide their thoughts via video interview. Over 80 attendees shared their First Nation success stories, perspectives and insights.
- » An Interactive tool was introduced to the delegates to enable them to ask questions in real time throughout the conference using their mobile devices or computers.

Inspired by the success of this event, the Fiscal Institutions and the First Nations Lands Advisory Board are planning to host this event annually and continue to shine a light on the achievements of our clients.

Governance Project Update

n 2018/2019, the FMB completed Phase I of the First Nations Governance Project.

The Phase I Report, prepared by the FMB and the Institute of Governance ("IOG") with input from a national Advisory Group ("AG") of Indigenous and governance leaders, is a First Nations-led self-determination and governance resource for Nations wishing to transition out of the *Indian Act*.

The AG was tasked with recommending good governance practices for First Nations communities. The Group was clear that good governance practices alone would be ineffective in preparing First Nations for a post-*Indian Act* environment, and that governance does not exist by itself but as an important element of a sustainable community.

The AG provided valuable insight in four distinct areas:

- **1. GOVERNANCE**: While good governance is important to transitioning out of the *Indian Act*, equally important is the advancement of a Nation-to-Nation relationship based on effective and meaningful Crown-Indigenous engagement principles;
- **2. UNDRIP**: A transition away from the *Indian Act* must be grounded in the self-determination principles of the United Nations Declaration on the Rights of Indigenous Peoples ("UNDRIP") and be informed by an understanding of the history of the Crown-Indigenous relationship from contact, to the Royal Proclamation of 1763, treaty-making, and past efforts aimed at repairing the relationship such as the Royal Commission on Aboriginal Peoples and the Truth and Reconciliation Commission;
- **3. INTER-RELATED REALITIES**: To support communities transitioning from the *Indian Act*, a comprehensive and holistic approach is required that recognizes the interaction between governance, community capability, fiscal and government autonomy, and other principles that guide First Nations' relationships internally with other communities, and with other levels of government including the provinces; and
- **4. INCLUSIVE FOR FIRST NATIONS**: To be effective, all First Nations must be able to see themselves -- including their unique cultural, historic and regional situations -- in any self-determination and governance recommendations.

With this advice, the FMB and the IOG developed the **Self-Determination and Governance Framework** as a potential path towards First Nations achieving UNDRIP-defined self-determination in Canada. The Framework, along with the entire Phase I Report, is available online at fnfmb.com

We have requested funding for Phase II of the Project which will validate the Framework to ensure that it meets the needs of First Nations. Further, it will develop practical governance training and education tools that communities have indicated are essential for them to exit the *Indian Act*. Phase II will also outline the shared governance services and organizations that First Nations have stated would be necessary to effectively implement true self-determination in Canada.

Mark Podlasly, M.P.A, from Cook's Ferry First Nation, oversees the First Nations Governance Project and has diverse expertise in governance matters.



10-Year Grant Update

What is the 10-Year Grant?

The 10-year grant is a funding mechanism available to First Nations through the ISC as of April 1, 2019. The Grant has been co-developed by the ISC and the AFN. Upon request from the ISC and AFN, the FMB was instrumental in developing the eligibility criteria for this grant. The FMB then took on an additional role in this process by assessing the Nations who had applied for the grant based on the set eligibility criteria.

Success in 2018/2019

It is with great honour and pride that we announce that 102 First Nations across Canada qualified for this round of 10-year grant applications and are in the process of receiving this funding.

Rationale for the FMB's Involvement

- » FMB has established Standards for finance and financial management best practices
- » FMB Standards are based upon 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
- » The ISC and AFN agreed to invite the FMB to co-develop eligibility criteria based on existing global standards



A NEW WAY FORWARD

Legislative Amendments

n December 2018, the legislative amendments to the *First Nations Fiscal Management Act* ("FMA") received Royal assent from Parliament. This means that the following organizations will soon be able to access the FMA:

- » Tribal Councils
- First Nations organizations (health authorities, education facilities, daycares, housing, friendship centres, etc.)
- » Self-governing First Nations
- » Modern-day Treaty First Nations

The next step that needs to be completed is to develop Adaptation Regulations to the FMA under sections 141 and 141.1. The FMB and the FNFA are working together with the ISC to develop Adaptation Regulations so that the above organizations can utilize the FMA. This means that the FMB will also develop Standards and Guidelines that incorporate the changes from the Adaptation Regulations.

Currently, the FMB along with the FNFA and ISC, are working on the Adaptation Regulations for section 141.1. These Adaptation Regulations pertain to not-forprofit organizations (Tribal Councils and First Nations organizations). The Standards and Guidelines for section 141.1 are expected to be complete by April 1, 2020.



In the spring of 2020, the work on the Adaptation Regulations for section 141 (self-governing and Modernday Treaty First Nations) will commence. A first draft should be ready by late Fall, 2020. In the meantime, the FMB will develop the Standards and Guidelines for these new potential clients. The Standards and Guidelines should be complete by April 1, 2021.



Potential Clients from FMA Legislative Amendment

Conservative estimate of 780 new potential client base.

Exploring + Establishing New Horizons

Any new and exciting opportunities are currently presenting themselves to First Nations for the first time and the FMB sees itself as being responsible for providing First Nations with the capacity to maximize on these opportunities to their fullest extent.

In January 2019, the FMB finished our "Exploring + Establishing New Horizons", our Five-Year Strategic Plan that demonstrates the direction FMB would like to pursue over the next five years. The objective of this Five-Year Strategic Plan is to encapsulate what First Nations will require in order to implement the means for a sound self-determined government through good finance and governance practices in light of the New Fiscal Relationship. It will set out the foundation that will enable First Nations and provide them with access to capacity development tools in order to develop themselves into a government that will be able to deal with other levels of government on a Nation-to-Nation basis. The FMB will pursue this document with Ottawa in the upcoming fiscal year.

This Five-Year Strategic Plan assesses the focus areas, develops clear objectives and projects our metrics and responsibilities.



Canada's First Nations on the Move

First Nations Leading The Way

The FMA institutions and the Lands Advisory Board collaborated to bring First Nations together to demonstrate how First Nations governments across Canada are exercising their jurisdiction and striving to move beyond the *Indian Act* with First Nations-led initiatives. Innovative and creative First Nations leaders from across the country are sharing tools and support services and setting a clear path forward for building prosperous and vibrant First Nations communities.

First Nations Infrastructure Institute

The First Nation infrastructure deficiency is so significant that we believe that a First Nation Infrastructure Institution is needed to bridge the gap. First Nation infrastructure projects take longer, are more costly and less durable than those undertaken by any other Canadian government. The development of optional legislation to create a First Nation's Infrastructure Institute is underway and a two-year pilot project has commenced to guide the development of what could become the fourth institution under the FMA.

First Nations Statistical Institute ("FNSI")

First Nations governments have not been included in the national 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 FNSI to re-incorporate First Nations statistics into those of Canada.

The objectives of the FNSI are not to set the task on national accounts activity but rather to look at outputs as well as inputs. The FNSI would help define what data is needed to assess whether or not the socio-economic gaps between Indigenous and non-Indigenous people are shrinking.

First Nations Resource Project Charge ("FNRPC")

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

The FNRPC concept is being administratively advanced by the FNTC at the request of First Nations.
Increasing First Nation 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.

First Nation Cannabis Tax Jurisdiction

The Canadian 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 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.

> On June 19, 2018, the Senate passed the Bill C-45 and the Prime Minister announced the effective legalization date as October 17, 2018, allowing for the use of the recreational cannabis in Canada. The 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 initiative 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.

Certification of First Nation Organizations

The three FMA institutions are working with Canada to develop a new regulation under section 141.1 of the FMA. This regulation will allow a not-for-profit organization established to provide public services to be certified by the FMB and borrow from the FNFA. This could allow eligible tribal councils, health and education authorities and other First Nation organizations to access long-term affordable capital in ways that are similar to First Nations.

Furthermore, work continues on Section 141 to help provide self-governing and Modern-day Treaty First Nations with access to the FMA, when requested.

Where We Are Going

Default Management

- » Expand project to 20 First Nations
- » Co-develop Policy with AFN and ISC on Default Management
- » Move towards becoming the Administrator on Default Management
- » Provide Post certification service to minimize Default Management

Governance Services

- » Conduct Pilot on Governance Best Practices
- » Develop Best Practice Benchmark around Goverance
- » Develop Training Material
- » Train First Nations for Councils and Senior Managers on Self-Determination Post Indian Act

Enhanced Services

- » Work on adaptation Regulations Sec 141.1 and Develop Standards and Guidelines for Not for Profit First Nation Organizations (Tribal Councils and First Nation Organizations)
- » Start working on adaptation Regulations for Sec 141 for Self-Governing and Modern day Treaty First Nations
- » Post Certification Service
- » Develop ISC eligibility criteria for 10-year Grants

Shared Services

- » Pursue ISC on the importance of Shared Service for First Nations who require professional support to operate under a Financial Administrative Law due to Capacity issues as result of location, size of First Nation, etc.
- » Conduct a Pilot Project
- » Eventually a Service that is deliverable to First Nations

2018/2019 FINANCIAL REPORT

2018/2019 Financial Picture

ne of the benefits of preparing financial statements is the story it tells of our past year's accomplishments and the value provided to our clients and stakeholders. The audited financial statements add a layer of accountability as internal controls are tested and financial information assessed and evaluated. The FMB has received clean audit reports since inception, including the current fiscal year.

Our story this past year saw the FMB expand its core service and client base, offer new services and opportunities, realize a legislative change to expand the client base, and achieve the remarkable goal of assisting five First Nations communities out of default management.

The expansion of services and the additional clients affected costs as shown in the financial statements. The main increase in expenses occurred in staffing (67%), the governance project (163%), and policy development (32%). Revenues received as A-Base funding from Indigenous and Northern Affairs Canada funded these costs and programs. The Governance project receives funding specific to its mandate.

Financial Statements

And Independent Auditors' Report Year ended March 31, 2019





PO Box 10426 777 Dunsmuir Street Vancouver, BC V7Y 1K3 Canada Fax (604) 691-3031

Telephone (604) 691-3000

Independent Auditors' Report

To the Board of Directors of First Nations Financial Management Board

Opinion

We have audited the financial statements of First Nations Financial Management Board (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019 •
- the statement of operations for the year then ended •
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Independent Auditors' Report (cont.)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants Vancouver, Canada June 19, 2019

FIRST NATIONS FINANCIAL MANAGEMENT BOARD Statement of Financial Position

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 4,262,959	\$ 3,640,246
Restricted cash (note 4)	400,000	200,000
Accounts receivable	333,122	75,157
Prepaid expenses	94,546	48,317
	5,090,627	3,963,720
Security deposits	82,058	58,643
Capital assets (note 2)	410,652	240,387
	\$ 5,583,337	\$ 4,262,750
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,394,348	\$ 730,154
Government remittances payable	2,359	4,804
Deferred revenue (note 3)	3,098,184	2,811,496
Intervention reserve fund (note 4)	400,000	200,000
Current portion of capital lease obligation (note 5)	18,434	17,234
	4,913,325	3,763,688
Capital lease obligation (note 5)	8,020	26,454
	4,921,345	3,790,142
Net assets:		
Invested in capital assets (note 6)	384,198	196,699
Unrestricted	277,794	275,909
	661,992	472,608
Commitments and contingent liabilities (note 8)		
Economic dependence (note 9)		
	\$ 5,583,337	\$ 4,262,750

See accompanying notes to financial statements.

Approved on behalf of the Board:

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Coulic Director Han

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Director

FIRST NATIONS FINANCIAL MANAGEMENT BOARD | 2018/2019 ANNUAL REPORT

FIRST NATIONS FINANCIAL MANAGEMENT BOARD

Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Indigenous Services Canada ("ISC") funding	\$ 10,710,311	\$ 7,367,583
ISC - Governance accreditation	611,527	232,449
ISC - Strategic partnerships initiative project (note 7)		214,346
Interest income	2,884	1,550
	11,324,722	7,815,928
Expenses:		
Salaries and benefits	5,128,422	3,074,245
Client service delivery (note 10)	1,306,013	1,386,855
Corporate services	1,574,266	1,031,057
Policy development	1,136,588	862,803
Travel	778,180	420,432
Governance accreditation	611,527	232,449
Director fees and expenses	511,285	460,255
Strategic partnerships initiative project (note 7)		214,346
Amortization	89,057	67,258
	11,135,338	7,749,700
Excess of revenue over expenses	\$ 189,384	\$ 66,228

See accompanying notes to financial statements.

FIRST NATIONS FINANCIAL MANAGEMENT BOARD **Statement of Changes in Net Assets** Year ended March 31, 2019, with comparative information for 2018

	Invested in capital assets	Unrestricted	Total 2019	Total 2018
	(Note 6)			
Balance, beginning of year	\$ 196,699	\$ 275,909	\$ 472,608	\$ 406,380
Excess (deficiency) of revenue over expenses	(89,057)	278,441	189,384	66,228
Net change in investment in capital assets (note 6)	276,556	(276,556)	-	-
Balance, end of year	\$ 384,198	\$ 277,794	\$ 661,992	\$ 472,608

See accompanying notes to financial statements.

FIRST NATIONS FINANCIAL MANAGEMENT BOARD

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 189,384	\$ 66,228
Amortization, an item not involving cash	89,057	67,258
Changes in non-cash operating working capital:		
Accounts receivable	(257,965)	5,355
Prepaid expenses	(46,229)	(9,437)
Security deposit	(23,415)	(4,638)
Accounts payable and accrued liabilities	664,194	(1,099,427)
Government remittances payable	(2,445)	3,660
Deferred revenues	286,688	910,524
Intervention reserve fund	200,000	200,000
	1,099,269	139,523
Investing:		
Purchase of capital assets	(259,322)	(112,970)
Financing:		
Capital lease principal payments	(17,234)	(16,112)
Increase in cash	822,713	10,441
Cash, beginning of year	3,840,246	3,829,805
Cash, end of year	\$ 4,662,959	\$ 3,840,246
Cash consists of:		
Cash	\$ 4,262,959	\$ 3,640,246
Restricted cash	400,000	200,000
	\$ 4,662,959	\$ 3,840,246

See accompanying notes to financial statements.

Year ended March 31, 2019

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. FNFMB is a not-for-profit under the Income Tax Act and accordingly, it is exempt from the requirements to pay income taxes.

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.

Year ended March 31, 2019

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 value.

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.

Year ended March 31, 2019

2. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 529,109	\$ 359,565	\$ 169,544	\$ 90,299
Leasehold improvements	301,336	252,709	48,627	28,210
Office furniture and fixtures	348,189	172,090	176,099	89,114
Office equipment under capital lease	90,100	73,718	16,382	32,764
	\$ 1,268,734	\$ 858,082	\$ 410,652	\$ 240,387

3. Deferred revenue:

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

	Balance, beginning of year 2018	Funding received	Transferred to intervention reserve fund	Amounts recognized as revenue in the year	Balance, end of year 2019
			(Note 4)		
ISC core funding: A-based and mid-year (amendment #9)	\$ 1,077,729	\$ 11,221,300	(\$ 200,000)	(\$ 9,761,390)	\$ 2,357,639
ISC governance accreditation (amendment #3)	847,551	-	-	(611,527)	236,024
ISC default prevention pilot (amendment #8)	876,216	247,226	-	(656,383)	467,059
ISC Tangible Capital Assets (amendment #6)	-	300,000	-	(282,538)	17,462
First Nations Tax Commission - national joint conference	10,000	20,000	-	(10,000)	20,000
	\$ 2,811,496	\$ 11,808,526	(\$ 200,000)	(\$ 11,321,838)	\$ 3,098,184

4. Intervention reserve fund:

During the year, FNFMB received \$200,000 (2018 - \$200,000) 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 (2018 - nil). The balance in the fund as at March 31, 2019 is \$400,000 (2018 - \$200,000). The cash related to this fund has been segregated as restricted cash.

Year ended March 31, 2019

5. 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:

2020	\$ 19,656
2021	8,156
	27,812
Less amount representing interest at 6.75% per annum	1,358
	26,454
Less current portion	18,434
	\$ 8,020

6. Net assets invested in capital assets:

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

	2019	2018
Capital assets	\$ 410,652	\$ 240,387
Capital lease obligation	(26,454)	(43,688)
	\$ 384,198	\$ 196,699

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

	2019	2018
Net change in investment in capital assets:		
Purchase of capital assets	\$ 259,322	\$ 112,970
Repayment of capital lease	17,234	16,112
	\$ 276,556	\$ 129,082

(c) Deficiency of revenue over expenses:

	2019	2018
Amortization on capital assets	(\$ 89,057)	(\$ 67,258)

Year ended March 31, 2019

7. Strategic partnerships initiative project:

The strategic partnerships initiative project incurred revenue and expenses of \$214,346 during the 2018 fiscal year related to costs incurred for the coalition steering committee project. As of March 28, 2017, the coalition steering committee projects became a standalone entity, First Nations Major Projects Coalition Society. No revenues or expenses were incurred for the project during the year ended March 31, 2019.

8. Commitments and contingent liabilities:

(a) Operating leases:

FNFMB leases its office premises under operating lease agreements expiring between 2020 and 2030. FNFMB is obligated to make the following payments which include a proportionate share of operating costs and property taxes. FNFMB is also committed under operating leases for equipment expiring between fiscal 2020 and 2025.

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

2020	\$ 1,007,298
2021	1,124,472
2022	1,163,839
2023	1,200,102
2024	1,133,597
Thereafter	5,531,722
	\$ 11,161,030

(b) Contingent liabilities:

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.

9. Economic dependence:

FNFMB's ongoing operations are dependent on continued funding from ISC to carry out its programs. FNFMB has a multi-year funding agreement with ISC in effect until March 2022 which provides certainty about the availability of future funding.

Year ended March 31, 2019

10. 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.

11. 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 it liquidity risk by monitoring its operating requirements. There has been no change to risk exposure from the prior year.

12. Comparative information:

Certain comparative information has been reclassified in the prior period's comparatives to conform to the current year presentation. These reclassifications do not impact prior year earnings.

First Nations Financial Management Board

100 Park Royal, Suite 300 West Vancouver, BC V7T 1A2

Head Office:

Toll Free: 1-877-925-6665 Telephone: 604-925-6665 Fax: 604-925-6662

- A fnfmb.com
- FNFMB
- **FNFMB**
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MANAGEMENT BOARD

LE CONSEIL DE GESTION FINANCIÈRE des Premières Nations



West Vancouver Head Office:

100 Park Royal, Suite 300 West Vancouver, BC V7T 1A2

Winnipeg Office:

125 Garry Street, Suite 850 Winnipeg, MB R3C 3P2

Ottawa Office: 170 Laurier Ave W, Suite 608 Ottawa, ON K1P 5V5

Montreal Office:

1410 rue Stanley, Suite 1015 Montreal, QC H3A 1P8