



# WEBINAR

## Proposed Standards for Not-for-Profit Organizations



First Nations  
**FINANCIAL  
MANAGEMENT  
BOARD**

**CONSEIL  
DE GESTION  
FINANCIÈRE** des  
Premières Nations

July 27, 2020





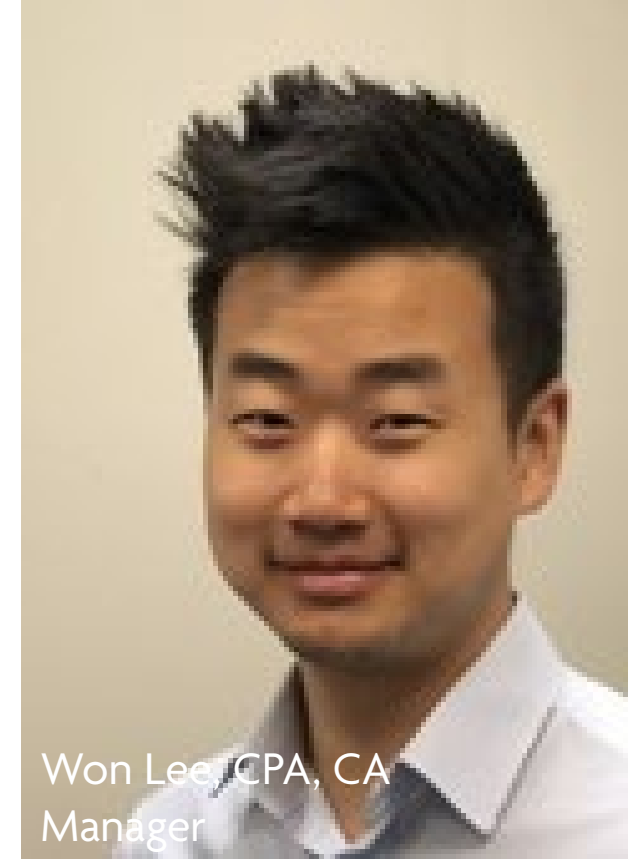
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Manager

# Meet Your Presenters



First Nations  
**FINANCIAL  
MANAGEMENT  
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Premières Nations

# AGENDA

- Why is the FMB developing new standards?
- Who are these new standards for?
- What is the FMB's process for setting standards?
- What are the proposed NPO Standards?
- How can I have my say?
- FAQs

# Changes to the FMA

- The *First Nations Fiscal Management Act (FMA)* was amended in 2018
  - The FMB can now provide services to five new types of entities under section 50.1(1)

- a) *a band that is not named in the schedule;*
- b) *a tribal council;*
- c) *an aboriginal group that is a party to a treaty, land claims agreement or self-government agreement with Canada or with a province, or an entity established under, or as a result of, such a treaty or agreement;*
- d) *an entity — owned or controlled by one or more first nations or entities referred to in paragraphs (a), (b) or (c) — whose mandate is primarily to promote the well-being or advancement of aboriginal people; or*
- e) *a not-for-profit organization established to provide public services, including social welfare, housing, recreational, cultural, health or educational services, to aboriginal groups or aboriginal persons.*

# Why is the FMB developing new standards?

- Respond to a need expressed to the FMB by Indigenous not-for-profit organizations, tribal councils and other organizations to participate in FMB services offered under the FMA
- FMA section 50.1 (3) allows FMB to develop standards for new entities in:
  - financial management systems
  - financial performance
  - laws or by-laws respecting financial administration
- FMA section 50.1 (2) allows FMB to evaluate and report on compliance with these standards (upon request)

Who are these new NPO Standards for?

Child and Family  
Services

Not-for-Profit Organizations

Health Authorities

Technical and Advisory  
Service Centre

Tribal Councils

Indigenous Represented Organizations

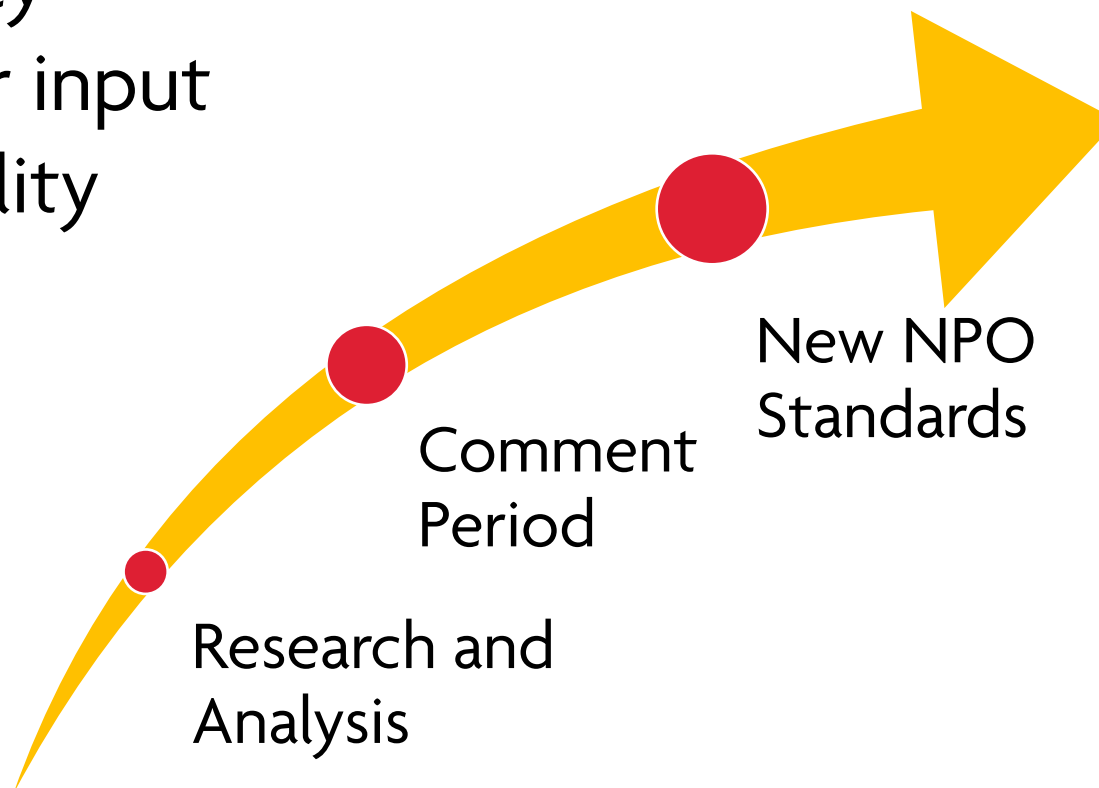
Education Authorities

# What is FMB's process for setting standards?

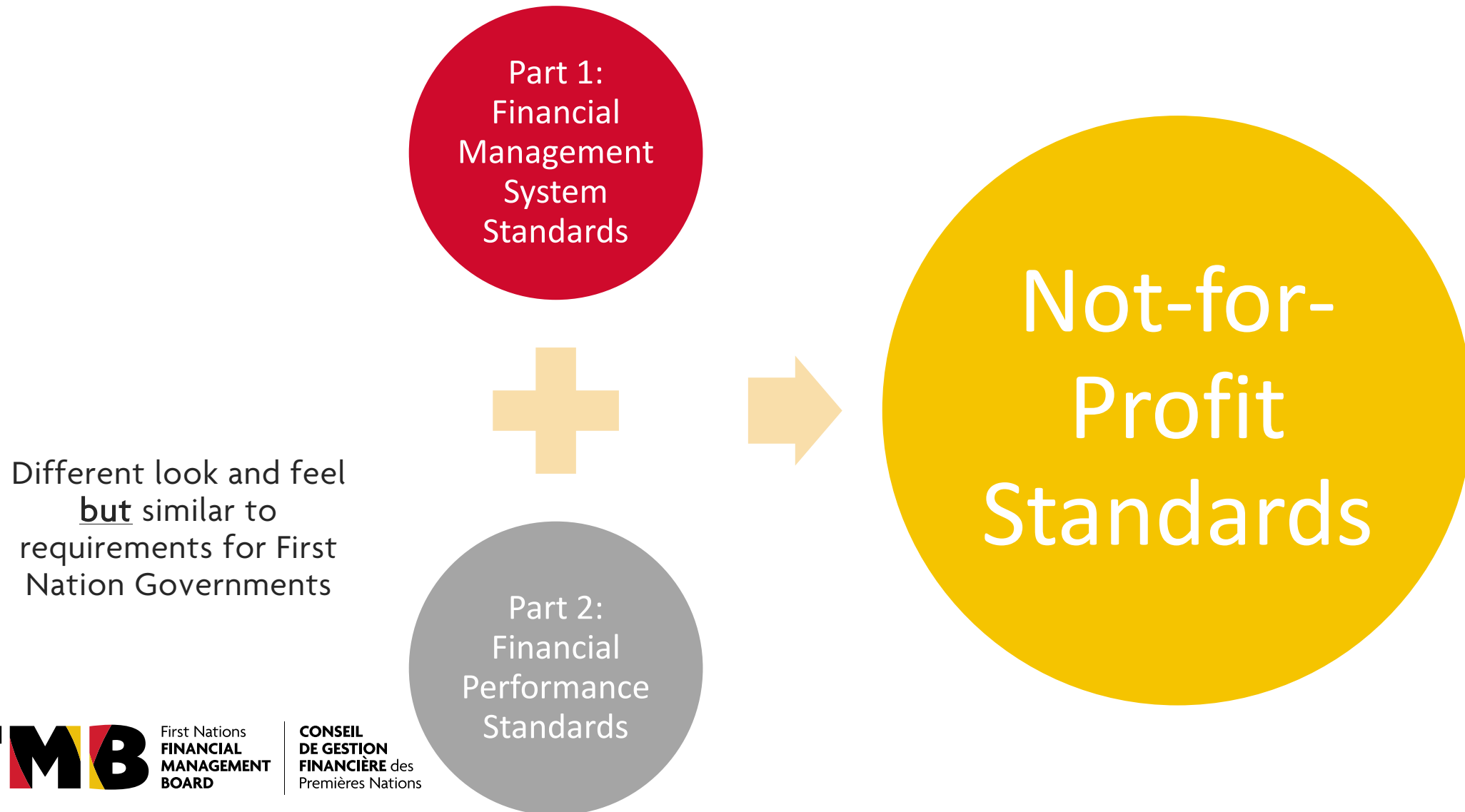


## Principles of the Standard-Setting Guidelines:

- Transparency
- Stakeholder input
- Accountability

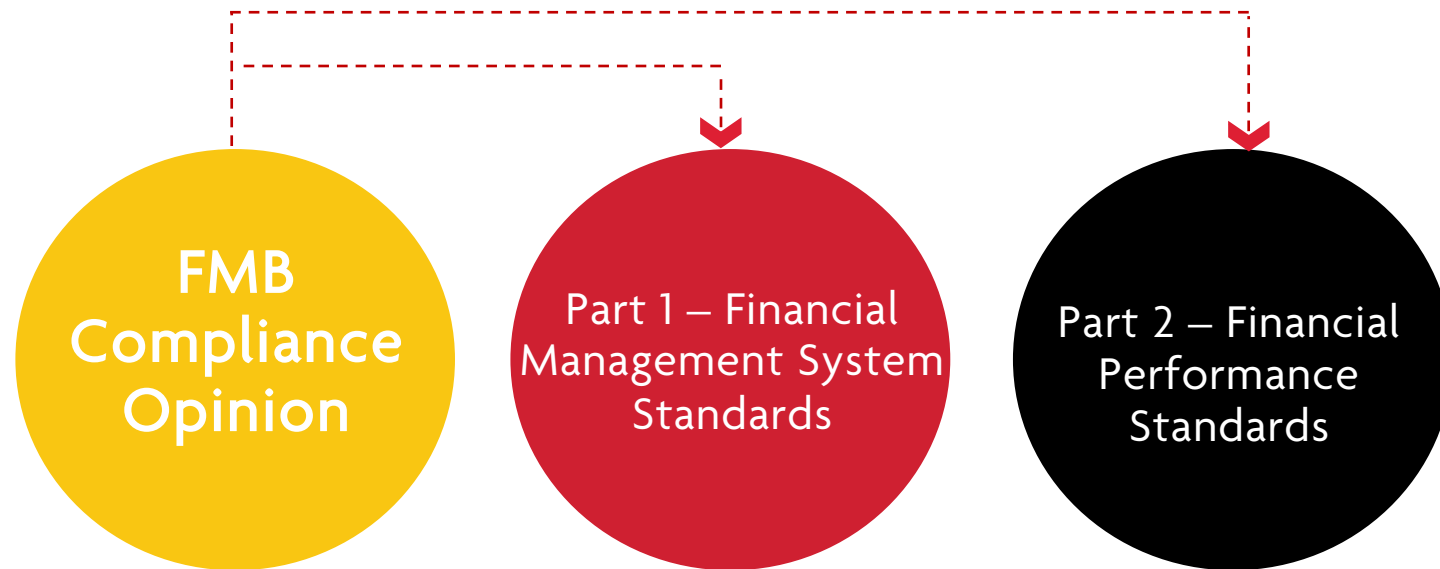


# What are the proposed NPO Standards?





# What is a 'Compliance Opinion' Report from the FMB?



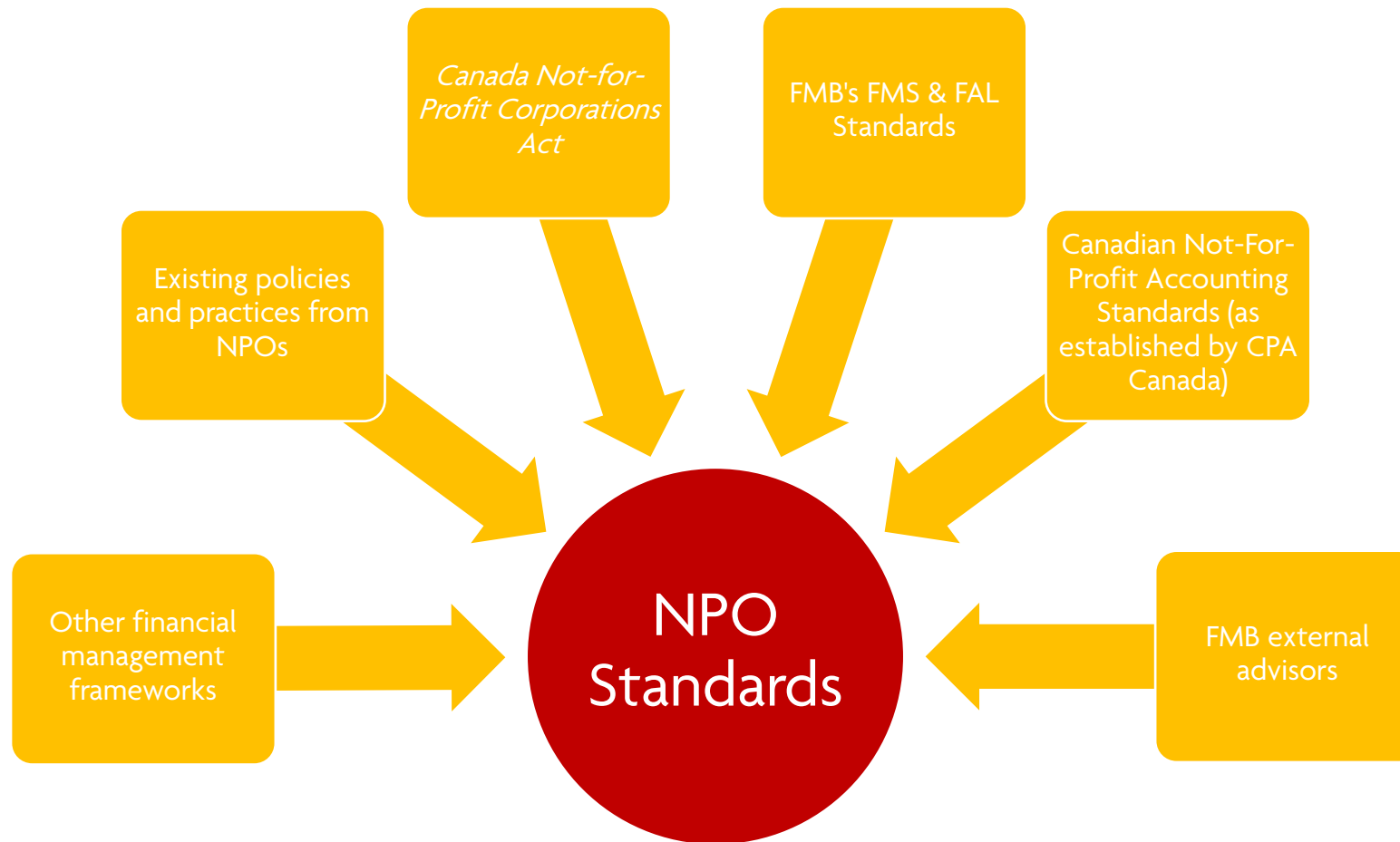


Proposed NPO Standards  
Part 1 Financial Management  
System Standards





# Proposed NPO FMS Standards



# Framework of Proposed NPO FMS Standards



# Proposed NPO FMS Standards

## Example

### PRO.18 Annual Financial Statements Audit

The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the annual appointment of a licensed and qualified public accountant to conduct an audit of the NPO's annual general purpose financial statements in accordance with Canadian generally accepted auditing standards.

By-law / policy & procedures requirement

The governing body of the NPO demonstrates that it has appointed a licensed and qualified public accountant to conduct an audit of the NPO's annual general purpose financial statements in accordance with Canadian generally accepted auditing standards.

Implementation requirement



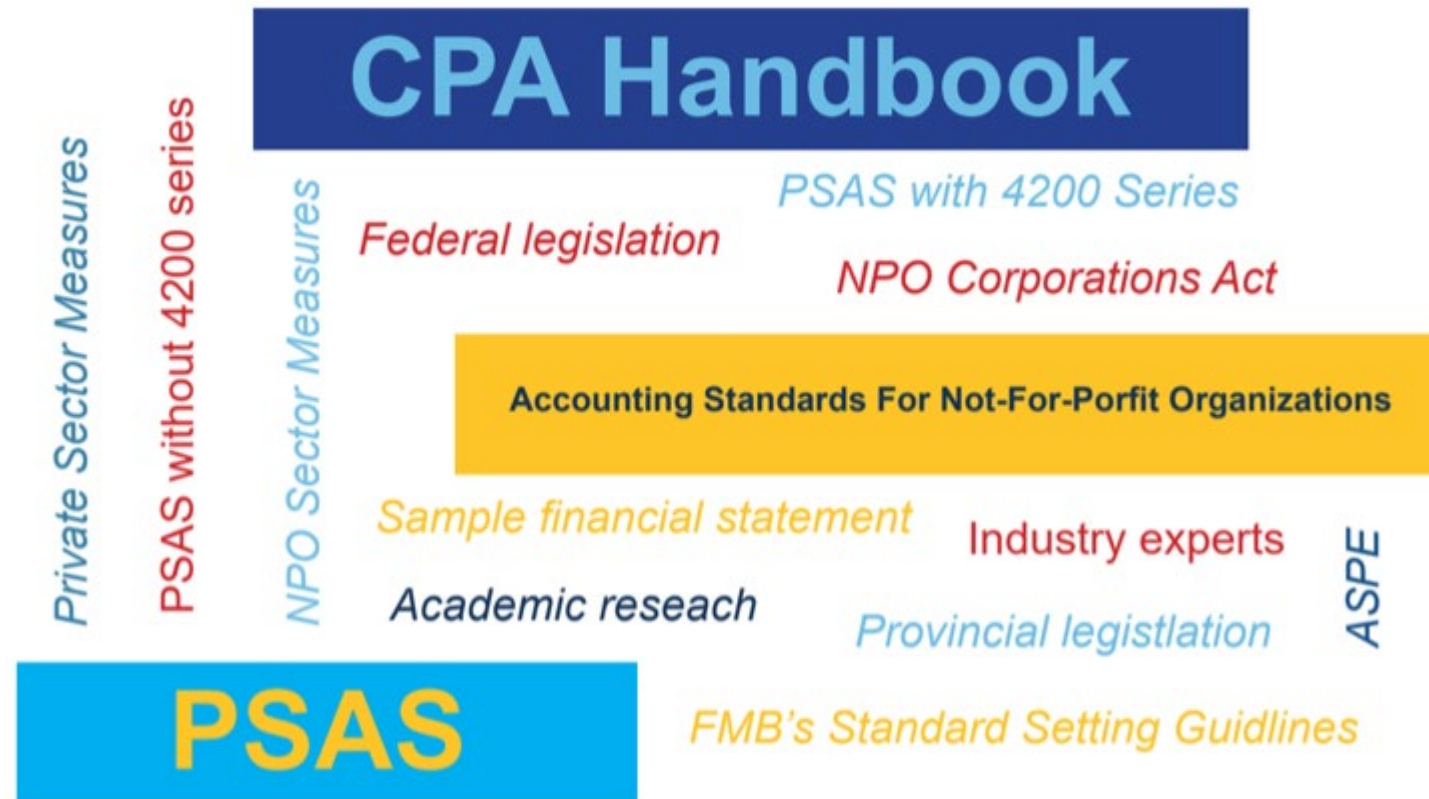
A serene sunset scene over a body of water. The sun is a bright, glowing orb in the upper left, casting a long, shimmering reflection down the center of the water. In the foreground, gentle waves with white foam are breaking onto a sandy beach. The background features a dark, silhouetted hill or coastline with several tall, thin trees. The overall color palette is dominated by warm oranges, yellows, and deep blues.

# Proposed NPO Standards

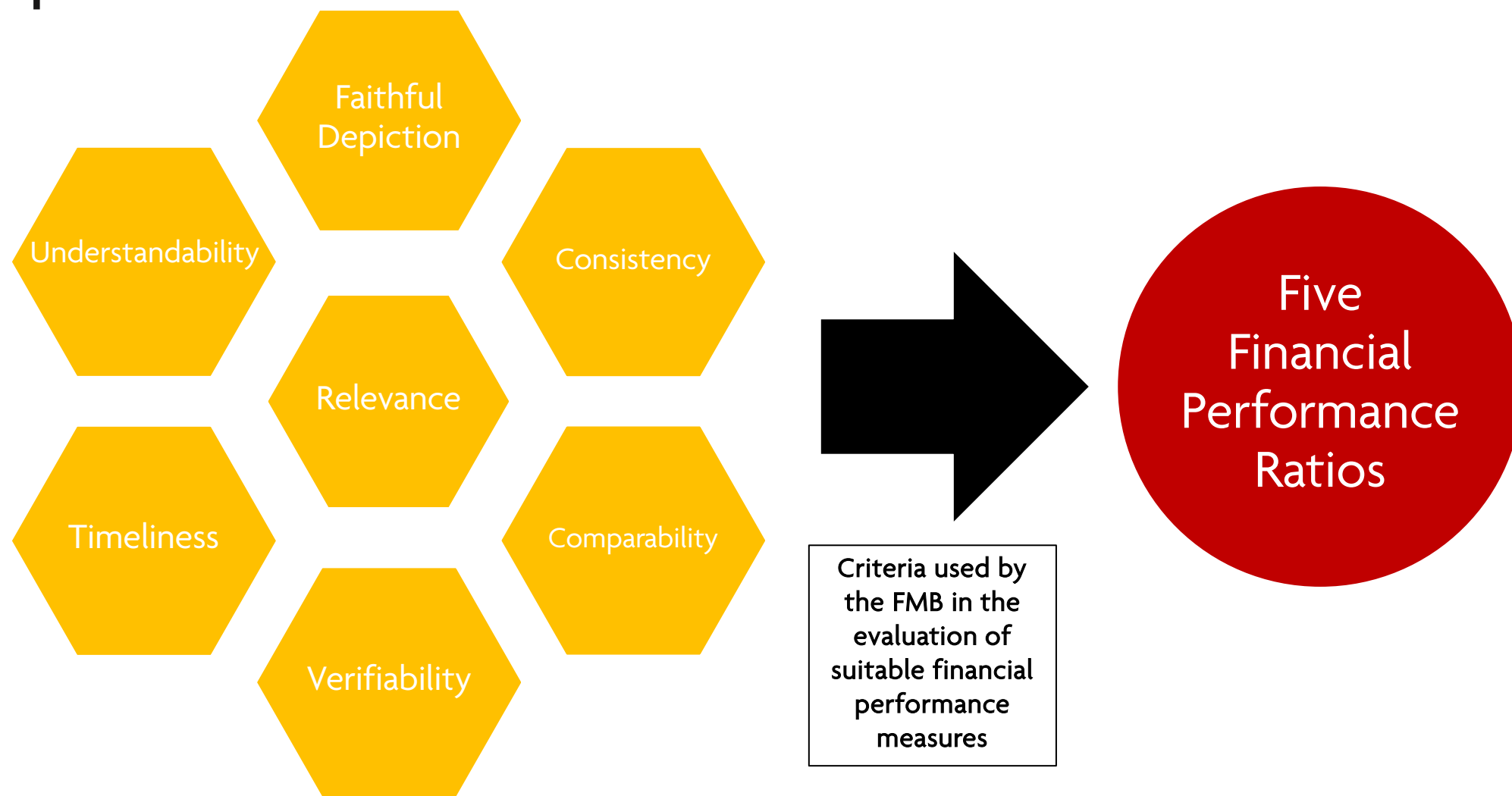
## Part 2 Financial Performance Measures



# Proposed NPO Financial Performance Standards



# Proposed NPO Financial Performance Standards



## Fiscal Growth Ratio (“FGR”)

$$(TR_x - TR_{(x-1)}) / TR_{(x-1)}$$

$TR_x$ : Total revenue in year “X”

$TR_{(x-1)}$ : Total revenue from the fiscal year one prior to year “X”

The purpose of the FGR is to measure a NPO’s ability to sustain and grow its financial capacity.

Threshold: average FGR for the five-year period under review must not be less than -5.0%.

# Operating Margin Ratio (“OMR”)

$$TR - TE / TR$$

TR: Total revenue for the period under review

TE: Total expense for the period under review

Threshold: average OMR for the five-year period under review must not be less than -5.0%.

The purpose of the OMR is to measure a NPO's ability to sustain fiscal balance



# Asset Maintenance Ratio (“AMR”)

$$\text{TTCE} / \text{TAE}$$

TTCE: Total tangible capital asset expenditures during the period under review (other than land)

TAE: Total amortization expense during the period under review

Threshold: average AMR for the five-year period under review must not be less than 100.0%

The purpose of the AMR is to measure a NPO’s ability to sustain its investment in its tangible capital assets other than land.

*AMR is not applicable for NPOs where the original cost of tangible capital assets is below \$500,000*

# Net Debt Ratio (“NDR”)

$$\frac{[TL - (TA - TCA - PPD - INV)]}{TR}$$

TL: Total liabilities

TA: Total assets

TCA: Tangible capital assets

PPD: Prepaid expenses

INV: Inventory

TR: Total Revenue

The purpose of the Net Debt Ratio is to measure a NPO’s ability to manage its overall level of debt

Threshold: the weighted average NDR for the five-year period under review must not be greater than 50.0% or the current year NDR must not be greater than 50.0%.

# Interest Expense Ratio (“IER”)

$$\text{TIE} / \text{TR}$$

TIE: Total interest expense

TR: Total revenue

Threshold: average IER for the five-year period under review must not be greater than 5.0%.

The purpose of the IER is to measure a NPO’s ability to manage its overall level of debt.



A photograph of a moose standing in a field of tall, dry grass. In the background, there is a dense forest with trees showing vibrant autumn foliage in shades of red, orange, and yellow, interspersed with evergreen trees. The scene is captured in a cinematic style with soft lighting.

How can I have my say?



# We want to hear from you!

- Your feedback is important. It helps the FMB develop standards that are relevant to your organization.
- Visit the FMB's webpage to download the proposed NPO Standards.  
<https://fnfmb.com/en/services/set-standards/proposed-standards-not-profit-organizations>
- Fill out the online feedback form.  
<https://www.surveymonkey.com/r/new-standards-for-NPOs>
- Email the Standards and Certification team at [standards@fnfmb.com](mailto:standards@fnfmb.com)

**Please send us your comments by September 30, 2020**

**Comment period has been extended to April 30, 2021**



# FAQs

## 1) Can NPOs receive Certification from the FMB?

- Not yet. Regulations under section 141.1 of the FMA are still under development.

## 2) Will the FMB have sample bylaws and policies available?

- Yes. Sample policies and bylaws are currently under development.

## 3) Is there any cost to FMB's services for NPOs?

- There is no cost for FMB's services and working with FMB is voluntary (upon request).

## 4) Can my organization start working with the FMB now?

- Yes, your NPO can request a Compliance Review and Opinion from the FMB

# QUESTIONS? Let's talk

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