



First Nations
**FINANCIAL
MANAGEMENT
BOARD**

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

Standards for Indigenous Not-for-Profit Organizations

Decision Summary

Standards and Certification
First Nations Financial Management Board
Approved: July 22, 2021
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Introducing the standards for Indigenous not-for-profit organizations

The First Nations Financial Management Board's ("FMB") standards for Indigenous not-for-profit organizations, the "NPO Standards", are the first standards in Canada for financial management and financial performance tailored to Indigenous not-for-profit organizations ("NPOs"). They have been designed and developed by the FMB; an Indigenous-led organization created under the *First Nations Fiscal Management Act* ("the FMA").

In December 2018, the FMA was amended to include several new sections, including Section 50.1, which allowed the FMB to begin working with five new types of organizations, including treaty and self-governing Nations, tribal councils and Indigenous NPOs. Under the authority of the FMA, subsections 50.1(1) and 50.1(3), the FMB has developed and issued standards for Indigenous NPOs. These new NPO Standards come into effect September 1, 2021.

The NPO Standards have been developed specifically for Indigenous NPOs. Under paragraph 50.1 (1) e. of the FMA, these are organizations "established to provide public services, including social welfare, housing, recreational, cultural, health or educational services, to Aboriginal groups or Aboriginal persons". These standards may also be applied by tribal councils operating as not-for-profit organizations and that meet the definition in paragraph 50.1 (1) e.

The NPO Standards consist of standards related to financial management systems, financial performance, and the form and content of by-laws respecting financial administration. These new standards will be the framework used by the FMB to assess an NPO's internal control environment, by-laws and historical financial performance. The FMB cannot currently issue a Certificate to an NPO; the authority to issue a Certificate under the FMA will depend on the development and enactment of new regulations under section 141.1 of the FMA.

New FMB standards, new look and feel

With the new standards for Indigenous NPOs, the FMB has built upon its expertise and experience as a standards-setter for First Nation governments. The FMB's existing standards are well-established and are based on internationally recognized good governance and finance practices, adapted to meet the needs of First Nations. In developing standards for NPOs, the FMB recognized that the purpose, structure and operations of Indigenous NPOs are different from the First Nation governments that the FMB has historically served. As a result, new financial management practices and financial performance measures were researched and developed by the FMB in order to best serve this new client segment. The NPO Standards have a strong foundation in the existing standards for First Nation governments, but recognize the unique characteristics of Indigenous NPOs, including variations in size, structure, membership, activities, revenues, geography, accounting frameworks and governing legislation.

While the standards for First Nation governments were used as a resource in the development of these standards, the approach taken was not focused on ensuring there was exact alignment between the two sets of standards. Differences between the two sets of standards are intentional and meant to be reflective of the differences between NPOs and First Nation governments. Unlike the FMB's Standards for First Nation governments that have separate stand-alone standards for financial administration laws, financial

management systems and financial performance, the NPO Standards combine the requirements into one comprehensive document. The NPO Standards are divided into two parts: Part 1: By-law and Financial Management System Standards and Part 2: Financial Performance Standards.

The NPO Standards and the First Nation government standards are different out of necessity to reflect the fact that NPOs and First Nation government are two different types of organizations with different service objectives. Certain elements from the Financial Administration Law (“FAL”) and Financial Management System (“FMS”) Standards for First Nation governments, such as local revenue, were excluded from the NPO Standards as they are not applicable to NPOs. Other elements were kept deliberately broad in order to ensure that that standards could be universally applied to any NPO, given the diversity of organizations that exist within the NPO setting. The NPO Standards also contain some financial management practices that are not present in the FAL and FMS Standards for First Nation governments because they reflect processes that are only applicable to NPOs, such as controls over donations, grants and contributions.

NPOs are already subject to certain financial management and governance practices under existing federal and provincial legislation. The FMB expects that many of the concepts contained in the NPO Standards will be familiar and that some of the processes required by the NPO Standards may already be in practice. The financial management system standards for NPOs were drafted from an approach of setting the best possible standards for sound financial management practices for NPOs, while being sufficiently broad in order to be adopted and implemented by any NPO. The standards focus on the key components of internal control applicable to NPOs and are primarily principles-based and less prescriptive to allow organizations to adapt the requirements to suit their unique needs.

Standards-setting is not a static, one-time process. The FMB recognizes that these standards are new, and that issues and challenges not considered during the standard-setting phase may arise during implementation. Over time, and as the FMB begins to work with more NPOs, the FMB expects to be able to add and build upon these NPO Standards. The FMB did not want to start by creating a narrow or unrealistic set of standards that are not relevant to our intended users.

Readers who are interested in learning more about the research and development that went into the NPO Standards can read about it in the [Proposed Standards for Not-for-Profit Organizations - Invitation to Comment](#) document on the FMB’s website.

Regulation allowing FMB to certify NPOs is under development

Concurrent with the development of the standards under section 50.1 has been the development of a regulation under section 141.1 of the FMA. Once created, it is intended that this regulation will allow Indigenous NPOs to be certified by the FMB in order to access debenture financing through the First Nations Finance Authority (“FNFA”).

This regulation is currently under co-development by a working group consisting of Canada, the FMB and the FNFA. Throughout the development process, the FMB will re-assess the NPO Standards to ensure they meet any requirements established in the regulation or address any challenges raised during the regulation development.

Standards development involved seeking feedback from those who would use or be impacted by the standards

The FMB follows a standards development process guided by its *Standards-Setting Guidelines*, which includes collecting input from stakeholders. The FMB announced the proposed NPO Standards in June 2020. Stakeholders were invited to read about the proposed standards in the document, *Proposed Standards for Not-for-Profit Organizations – Invitation to Comment*, and to provide their comments and feedback to the FMB by September 30, 2020. This comment deadline was further extended to April 30, 2021 to recognize the impact of the global pandemic and the disruption it has caused for many of the FMB's stakeholders. This extended comment period allowed more organizations to participate in the comments process. During the comment period the FMB was able to continue its research and collect data from NPOs and tribal councils, and the result of this work was an increased understanding of the diversity of organizations within the Indigenous NPO umbrella.

The FMB reached out to stakeholders using a variety of methods to inform them of the new standards and to seek their comments in both English and French. Stakeholders were engaged through email notifications, online surveys, webinars and information posted to the FMB's standard-setting webpage. The FMB also sought targeted feedback from key stakeholders.

Feedback was received in the form of letters, emails and responses to the online survey. The standards-setting team held many one-on-one conversations with NPOs and tribal councils to understand what makes their organizations unique and to collect feedback about the proposed standards.

Stakeholders asked us about the different look and feel of the standards and why the NPO Standards are not more closely aligned with the standards for First Nation governments. The FMB also received comments about specific financial performance measures and financial management standards. These comments and how they were considered in drafting the final standards is the topic of the next section.

The newly effective standards have been modified from the NPO Standards originally presented for discussion in June 2020

All of the feedback received during the comment period was considered and analyzed to determine whether changes were necessary to the final NPO Standards. Based on the comments received, the FMB modified some of the originally proposed standards. An overview of the key changes to the NPO Standards is provided in the subsections that follow. The full changes to the NPO Standards are set out and explained in the companion redline document located on FMB's [NPO Standards webpage](#).

The FMB opted not to re-release the changes made to the original proposals for a second round of review and comment. The amendments set out in this document are anticipated to better serve the FMB's prospective NPO clients. The amendments also provide additional clarity to certain standards and improve the relevance and achievability of the NPO Standards overall. In addition, many organizations have expressed interest in beginning to work with the FMB and with the NPO Standards.

The NPO Standards now include introductory sections

The draft NPO Standards released in June 2020 did not include the introductory sections of the standards that are typically included in a full set of FMB standards, other than the definitions section. The rationale for not including these other introductory sections in the draft standards is that these sections do not include requirements to be met, but rather set out information, such as purpose, interpretation, application, conflicts and cautions. Most of these sections have been modelled after the same sections included in the FMB's standards for First Nation governments. Introductory sections are now included in the general introduction to the NPO Standards, Part 1: By-law and Financial Management System Standards, and Part 2: Financial Performance Standards.

Changes have been made to the by-law and financial management requirements in Part 1

The FMB carefully considered the feedback received with regards to the financial management requirements, including the question of why the proposed NPO Standards around by-laws and financial management were not more closely aligned with the FAL and FMS Standards for First Nation governments, given that the overall objective of sound financial management is the same. As part of this analysis, the FMB revisited and mapped the differences between the two sets of standards.

The result of this analysis and feedback was the identification of some financial management practices that the FMB felt were missing from the proposed standards, but still applicable to the NPO context. Other standards were also identified that the FMB felt did not conform to the objective of having principles-based standards vs. prescriptive requirements. The final NPO Standards include some amendments to add, remove and change the proposed by-law and financial management standards. Table 1 below summarizes those changes.

Table 1 - Summary of changes to the by-law and financial management standards

| Financial management area | Type of change | Change Type | NPO Standards Ref. |
|---|---|-------------|---------------------------|
| Policies & Procedures | A new requirement was added to the standards to require any financial management system policies to be approved by the governing body. Any procedures must be consistent with the policies approved by the governing body. | Modified | Division 1: Standard 8.0 |
| Records and Information Management | A general requirement for records and information management was added to the standards in order to support compliance by the NPO with its legal requirements and obligations, and the effective operation and control of the NPO's financial management system | New | Division 1: Standard 9.0 |
| Business Continuity Plan | New requirements were added for communication of the business continuity plan and regular review. | Modified | Division 1: Standard 11.0 |

| Financial management area | Type of change | Change Type | NPO Standards Ref. |
|--|--|--------------------|---------------------------|
| Governing Body Responsibilities | The proposed standards for governing body responsibilities went beyond financial management and were highly prescriptive. The standard has been modified to reflect principles-based requirements for conduct and are modelled after existing requirements in federal legislation for NPOs. | Modified | Division 1: Standard 14.0 |
| Whistleblower Reporting | Best practices to include in a whistleblower policy, such as confidentiality and fair treatment, have been added to the requirements of the whistleblower standard. | Modified | Division 1: Standard 17.0 |
| Financial Management System Review | A requirement for review and continuous improvement of the NPOs financial management system has been added to the standards. Monitoring and reporting on the control environment and internal controls supports the financial management system of the NPO. | New | Division 1: Standard 19.0 |
| Executive Director | The standards were modified to allow the responsibilities of the executive director to be carried out by more than one person so long as each person reports directly to the governing body. In addition, the executive director position and the finance director position may be held by the same person. | Modified | Division 2: Standard 23.0 |
| Audit Committee | The audit committee standard was expanded to include additional requirements around specifying the functions and responsibilities of the committee. The audit committee requirements have been kept broad to ensure they are flexible and can be universally applied. The audit committee standard has been combined with the terms of reference standard. | New & modified | Division 3: Standard 35.0 |
| Meeting records | The application of this standard has been limited to the audit committee and the governing body. The previous standard applied to all committees, and while this is a best practice, it goes beyond the scope of financial management. | Modified | Division 3: Standard 36.0 |
| Integrated planning & budgeting | A new standard was added to address the importance of integration between the NPO's strategic and financial plans. | New | Division 3: Standard 37.0 |

| Financial management area | Type of change | Change Type | NPO Standards Ref. |
|---|---|----------------|---|
| Annual Budget | The standard was amended to refer to ‘annual budget’ instead of ‘capital and operating budgets’ to allow more flexibility. An additional requirement was added for the governing body to consider any limitations on budget deficits. | Modified | Division 3: Standard 39.0 |
| Auditor appointment | A new requirement was added to ensure the terms and conditions of the annual audit are set out in an engagement letter. | New | Division 3: Standard 43.0 |
| Annual Report | A new requirement added to ensure that the annual report is made available to members. | New | Division 3: Standard 51.0 |
| Financial Institution Accounts | Additional best practices around cash management and deposits were added to the existing financial institution account standards. | New | Division 4: Standard 56.0 |
| Account reconciliations | Reporting of account reconciliation irregularities to those charged with governance has been added to the requirements. A definition of independent review has been added to both account reconciliation standards for the purpose of clarity. | New & modified | Division 4: Standard 57 and Division 5: Standard 74.0 |
| Investments | Some of the more prescriptive elements of the proposed investment standard have been removed. | Modified | Division 4: Standard 60.0 |
| For-Profit and Not-for-Profit Entities | A new standard was added to consider the risks around establishing separate entities for carry out not-for-profit and for-profit activities and the NPO’s investment in those entities. This standard will only apply to NPOs that have established separate entities to carry out not-for-profit and for-profit activities or plan to establish separate entities to carry out not-for-profit and for-profit activities. | New | Division 4: Standard 62.0 |
| Lending | A new standard was added to consider the risks around lending the NPO’s funds. This standard will only apply to NPOs that are lending or plan to lend. | New | Division 4: Standard 63.0 |

| Financial management area | Type of change | Change Type | NPO Standards Ref. |
|--|--|--------------------|--|
| Capital Projects | A new standard specific to capital projects has been added. The proposed NPO Standards only addressed capital projects at a high level. | New | Division 4: Standard 66.0 |
| Tangible Capital Asset Life-Cycle Management | A threshold for applying the tangible capital asset life-cycle management standard has been proposed in order to limit the application of the standard to organizations with large amounts of capital assets only. | New | Division 4: Standard 67.0 |
| Expenditures | New requirements were added around: <ul style="list-style-type: none"> - Permitted expenditures - Monitoring of spending & overruns - Procurement - Expense reimbursements | New & modified | Division 5: Standard 68.0, 72.0 and 73.0 |
| Granting security, guarantees and indemnities | Requirements around granting security, guarantees and indemnities have been incorporated into the borrowing and debt management standard. | New & modified | Division 5: Standard 75.0 |
| Debt records | The detailed debt records standard has been removed and replaced with a general requirement for keeping records of borrowing decisions and debt transactions in the borrowing and debt management standard. | Modified & removed | Division 4: Standard 75.0 |
| Informing members about all meetings | The standard around informing NPO members about all meetings of NPO members was removed. Informing members of meetings is a legislated requirement for NPOs. The key areas of member information and involvement are covered in other NPO Standards. | Removed | N/A |
| Size & composition of governing body | This standard was removed. Similar to above, the composition and size of the governing body is a legislated requirement for NPO by-laws. | Removed | N/A |
| Purpose statement | This standard was removed. Similar to above, a purpose statement is a legislated requirement for NPOs in their constitution. | Removed | N/A |

As previously noted, the full changes to the NPO Standards are set out and explained in the redline document and available for download on FMB's [NPO Standards webpage](#).

Other editorial changes to the by-law and financial management system standards in Part 1 have also been made

In addition to the changes outlined above, various other non-substantive changes have been made to the by-law and financial management system standards in Part 1. These changes are editorial in nature and primarily serve to either clarify the structure or meaning of the standards.

- The standards have been re-numbered to be consistent with the numbering format used in FMB's existing standards for First Nation governments.
- The five components of internal control form new 'Divisions' in the by-law and financial management system standards in Part 1.
- Some standards have been moved between sections, when it was felt that a standard applied more to one section than another.
- Some standards and sections have been renamed for clarity and understandability.
- Some standards have been combined, so that all requirements related to one area of financial management are contained within the same standard.
- Some of the proposed standards included a specific implementation requirement; for example, the *"governing body of the NPO demonstrates that it has appointed a finance director"* (HRM.05 as originally proposed). This was inconsistent with the implementation requirements contained in the majority of the standards, which require the NPO to demonstrate implementation of the by-law or policies and procedures. These 'specific implementation' standards have been modified to be consistent with other standards to test the implementation of the related by-law or policies. Using the finance director example, standard 24.3 now requires: *"The governing body of the NPO demonstrates that it has implemented the provisions of the by-law established in standards 24.1 and 24.2."*
- The standards have been modified to ensure they are structurally consistent throughout. Any standards that included detailed content requirements for a policy or by-law have been split into three parts, with the content requirements now set out in a separate 'required content' standard. See Figure 1 on the following page for an illustrative example of a standard with detailed content requirements.

*Figure 1 - Illustrative standard 38.0 Strategic Plan***38.0 STRATEGIC PLAN**

| | |
|------|--|
| 38.1 | By-law - A by-law requires the preparation of a strategic plan for the NPO for purposes of informing financial and organizational decision-making. |
| 38.2 | Required content - The by-law referred to in standard 38.1 requires <ol style="list-style-type: none">a current documented strategic plan that articulates a long-term vision for the NPO and NPO members to be used by the NPO for the purpose of informing financial and organizational decision making, andreview of the strategic plan on a regular, periodic basis and revision of the strategic plan as necessary. |
| 38.3 | Implementation - The governing body of the NPO demonstrates that it has implemented the by-law referred to in standards 38.1 and 38.2. |

The by-law requirements contained in Part 1: by-law and financial management system standards were updated to be less onerous

The FMB received several comments about whether the requirements contained in Part 1 of the standards regarding the provisions to be established in the NPO's by-laws were too onerous or went beyond what should be required of NPOs.

The by-law requirements set within the NPO Standards are intended to fulfill a similar function as the requirement for First Nation governments to enact a financial administration law¹. Unlike policies, the rules that are set in a by-law cannot be changed at the will of the governing body or management. A change to the by-laws of the NPO requires approval of the NPO's members and any changes must be consistent with the legislation under which the NPO operates.

An NPO must have a set of by-laws pursuant to its incorporating legislation and must operate within these by-laws from inception. Under the originally proposed framework, the FMB was asking NPOs to amend their existing by-laws to include all of the elements required within the proposed NPO Standards; a total of 78 standards. Some of the proposed by-law provisions are similar to existing requirements under the different provincial and federal legislative frameworks for NPOs. For example, the preparation of annual audited financial statements is already a requirement for many NPOs. The proposed standards further allowed some flexibility by offering NPOs a choice of whether to reflect the detailed requirements of the standard directly in their by-law or establish a policy to contain this detail.

The FMB has revisited the by-law requirements and considered whether a by-law provision should be required for each individual financial management standard. The by-law requirements in the proposed NPO Standards were also compared to the FAL Standards for First Nation governments, which set the minimum

¹ While there are similarities in the intention of including by-law requirements in the NPO Standards, there are also some notable differences. A financial administration law for First Nation governments made under the FMA must be approved by the FMB and any amendments to the law must be approved by the FMB. This is different from NPOs, where the FMB will not be approving or forming an opinion about the NPO's by-laws and the FMB is not required to be involved in the by-law amendment process.

requirements for provisions to include in a financial administration law for a First Nation government. The result of this analysis was that the FMB identified areas in the NPO Standards where it was felt there was no additional value to the financial management system by requiring a provision to be established in a by-law compared to a policy (for example, establishing a process for independent review of manual journal entries). These standards have been amended to allow the NPO to establish the requirement directly in a policy instead of the by-law. Conversely, the FMB identified some areas where it was felt that they must be in a by-law and should not be left to policy (for example, making the audited annual financial statements available to members). There are still many standards that give the NPO the option to establish detailed provisions directly in the by-law or establish a policy and procedure to include the detail. Table 2 below illustrates the distribution of these standards within the amended NPO Standards and as originally proposed.

Table 2 – Part 1: By-Law and Financial Management Standards by type

| | As amended | As originally proposed |
|--|------------|------------------------|
| By-law only standards | 16 | 0 |
| By-law or policy & procedures standards | 22 | 78 |
| Policy & procedures standards | 30 | 0 |
| Total standards² | 68 | 78 |

Changes were made to the financial performance standards and financial performance ratios in Part 2

In response to the FMB's request for feedback on the proposed NPO Standards, comments were received about the proposed financial performance measures contained in Part 2 of the standards. The comments in this area have been summarized and are further analyzed in Table 3 on the following page. Table 3 also includes a summary of other changes made to the financial performance standards. These changes reflect the results of additional analysis by the FMB and also include changes for areas that were not included in the originally proposed standards.

The existing Financial Performance Standards for First Nation governments were used as the starting point for the development of the NPO financial performance ratios. Since it is anticipated that the primary purpose of the financial performance evaluation will ultimately be the same – assessing eligibility to become a borrowing member of the FNFA – many of the assumptions used in the existing Financial Performance Standards remained applicable to the evaluation of financial performance of NPOs. With the ongoing development of the regulation under section 141.1 of the FMA, the FMB is committed to reassessing the financial performance measures included in Part 2 of the NPO Standards to ensure that the selected

² Note that this total includes only standards contained within Divisions 1 through 5 of Part 1: By-Law and FMS Standards.

financial performance measures continue to meet the needs of FMB’s stakeholders and users of the standards.

Table 3 - Summary of comments received and analysis of financial performance measures

| Topic | Analysis | NPO Standards Ref. |
|--|---|--------------------|
| Requirement for 5-years of audited financial statements | A new ‘financial information’ standard has been added with the requirement for 5-years of financial statements. The requirement for 5-years of audited financial statements was modelled after and is consistent with the requirement for First Nation governments. This requirement recognizes that the primary purpose of the financial performance measures in the future is expected to be to evaluate the organization’s historical financial performance for the purpose of becoming eligible to access FNFA membership and the FNFA borrowing pool. This requirement will be reassessed in the future as part of the FMA regulation development. | Standard 78.0 |
| Requirement for audited financial statements | A new ‘financial information’ standard has been added with the requirement for <u>audited</u> financial statements. Based on the research conducted by the FMB, there have not been any findings to support that the requirement for financial statements to be audited would be a significant barrier for NPOs. This standard will be reassessed in the future as part of the FMA regulation development. | Standard 78.0 |
| Revenue trends and impact on FP ratios | <p>The FMB received comments related to the unique nature of NPOs and tribal councils and their potential for variable revenue, including cyclical or uneven revenue trends, and the impact these may have on the ratio results. The FMB recognizes that NPOs may have revenue streams that result in uneven or cyclical revenue trends (i.e. project based revenue) and the proposed ratios were developed to consider and mitigate variability over the review period. No changes have been made to the proposed ratios.</p> <ul style="list-style-type: none"> Looking at a longer time horizon of historical financial performance is one of the ways to mitigate the impact of uneven or cyclical revenues. The 5-year period used in the NPO Standards is of sufficient length to see the organization’s performance over time and potentially “smooth out” any uneven results. Use of weighted averages and/or year-over-year averages further helps mitigate these concerns. | N/A – no change |

| Topic | Analysis | NPO Standards Ref. |
|--|--|-----------------------------|
| | <ul style="list-style-type: none"> Both, the Fiscal Growth Ratio (FGR) and Operating Margin Ratio (OMR) thresholds allow for some decrease over the review period. There are also accounting principles and concepts (i.e. matching principle, deferred contributions, etc.) that help mitigate the impact of uneven revenue trends. | |
| Dependence on government funding and impact on Fiscal Growth Ratio (FGR) | <p>The FMB considered the feedback that some NPOs may be heavily dependent on government funding and these organizations may have little to no control over these revenue streams. This is the same for many First Nation governments, who are subject to the same financial performance measure. The FMB believes the FGR is an applicable measure in assessing the financial health of these organizations for the purpose for which these ratios were developed, and as such no change has been made to the proposed ratio.</p> | N/A – no change |
| NPOs with significant investments in tangible capital assets and impact on Net Debt Ratio (NDR) | <p>While the FMB anticipates that many NPOs looking for Certification in the future will be service-based entities with minimal, if any, debt, the FMB recognizes that there will be NPOs providing public services, where long-term debt may be used for the construction or acquisition of tangible capital assets. The NDR is intended to measure an NPO's ability to manage its overall level of debt and its financial flexibility to incur more debt. The NDR specifically excludes tangible capital assets and other non-financial assets from the calculation, as capital assets and other non-financial assets are generally not used to settle liabilities. The NDR thresholds provide for entities in a net debt position and recognize that a net debt position is not necessarily an indicator of poor financial health or inability to manage debt. The NDR looks at trends in net debt over a 5-year period. An increasing ratio will indicate total debt is becoming more onerous on the NPO, which could lead to long-term sustainability concerns. A decreasing ratio will indicate that the NPO's capacity to incur more debt is strengthening. No change has been made to the NDR ratio.</p> | N/A – no change |
| Intangible assets and other non-financial assets and impact on | <p>The NDR formula has been updated to use total non-financial assets in place of the more detailed financial statement line items. Tangible capital assets, prepaid expenses and inventory are now included in the definition of non-financial assets and will continue be deducted in the calculation. This change recognizes that there are other types</p> | Standard 77.1 (definitions) |

| Topic | Analysis | NPO Standards Ref. |
|--|---|--------------------|
| the Net Debt Ratio (NDR) | <p>of non-financial assets (including intangible assets) that should also be excluded from the calculation of net debt.</p> <p>Intangible assets have been included within the definition of non-financial assets. Non-financial assets are used in the updated NDR calculation. The previous formula did not consider the impact of intangible assets when calculating net debt. The recognition of intangible assets on the statement of financial position is permitted for NPOs applying Canadian accounting standards for not-for-profit organizations and is a new accounting policy option for NPOs applying Canadian public sector accounting standards (“PSAS”).</p> <p>Excluding intangible assets from the NDR calculation (by deducting from total assets) will provide a more accurate measure of the organization’s net debt by focusing on financial assets and excluding non-financial assets, like intangible assets, prepaid expenses and inventory.</p> <p>This change will also simplify the NDR calculation for any NPOs using PSAS, who already present a category for non-financial assets on the statement of financial position.</p> | Standard 82.0 |
| Differences in ratios for NPOs and First Nation governments | <p>The financial performance ratios in the NPO Standards were based on the Financial Performance Standards for First Nation governments. Any deviations in wording were intentional and are primarily to reflect that NPOs and First Nation governments are two different types of entities.</p> | N/A – no change |
| Normalization adjustments to the FP measures | <p>While the FP ratios are analyzed and reported on individually, they are considered as a whole from a qualitative perspective. If an organization with otherwise strong financial performance fails to achieve a financial performance measure, the FMB has the option of exploring a normalization adjustment where appropriate.</p> <p>Similar to normalization adjustments permitted for First Nation governments, the FMB has incorporated a similar practice for the NPO Standards. Specifically, the FMB may choose to administer an adjustment for the organization under review under a defined set of circumstances. An adjustment could be applied for the purpose of comparability, including historical changes in accounting policy and</p> | Standard 84.0 |

| Topic | Analysis | NPO Standards Ref. |
|-------|---|--------------------|
| | differences in accounting policy choices across entities, and normalizing for the impact of extraordinary events and circumstances. | |

Final version and red-line version of the NPO Standards

The final version of the NPO Standards effective September 1, 2021 and a separate explanatory version that shows the changes in redline from the June 2020 proposed standards are available for download on the [NPO Standards page of the FMB's website](#). This redline document provides the detailed rationale for the changes described here.

The NPO Standards come into effect on September 1, 2021 with transitional implementation period

The new NPO Standards come into effect September 1, 2021. This means that NPOs can begin working with the standards right away.

The FMB is committed to evaluating and assessing the new standards during the period following their release. The FMB will continue to collect feedback from NPOs and stakeholders, and will revisit the standards as necessary to ensure that they continue to meet the needs of and provide value to NPOs.

How can NPOs participate in the FMA and work with the FMB

NPOs interested in working with the FMB are encouraged to contact the FMB: mail@fnfmb.com

The FMB is not currently able to issue certificates to NPOs³; however, under subsection 51.1(2) of the FMA, the FMB can review the financial performance, by-laws and financial management system of an NPO and issue a compliance opinion report on whether the NPO was in compliance with the standards under subsection 50.1(3). During the period following the release of the NPO Standards, the FMB will be developing procedures for issuing these compliance opinion reports.

Following release of the NPO Standards, the FMB expects to develop guidance, tools and templates to assist NPOs with implementation of the standards. Once these documents have been developed, they will be made available on the FMB's website:

- **Sample policies & procedures** that meet the requirements of the NPO Standards while also providing NPOs with further best practices in the areas covered under the Part 1 by-law and financial management system standards.
- **Sample by-laws** that meet the by-law requirements contained in Part 1 of the NPO Standards. Note that these sample by-laws will not represent a complete set of by-laws, but only the elements required to be adopted into the organization's existing set of by-laws.

Contingent upon further amendments to the FMA, including development of a regulation under section 141.1, the FMB hopes to be able to provide Certification services and Capacity Development services to NPOs in the near future.

³ The authority for the FMB to issue a Certificate to an NPO under the FMA will depend on the development and enactment of new regulations under section 141.1 of the FMA.