



# Naapi's Moola

Understanding First Nation Finances and Personal Financial Fluency



# Workshop objective

- **Understand Community Financial Fluency**



# Guidelines

- Cell phones will be shut off during workshops
- We will respect all comments and opinions
- No shouling on self and others
- One person speaks at a time
- No side conversations
- Stay positive and focused
- Honor your knowing- take what fits and leave the rest
- We will follow Mtn Standard Time not Indian Standard Time

# ***The Story Begins***

- **Naapi was stranded in Cree Country so he decided to walk to the round dance being held next door. That's where he snagged Kookum the most beautiful woman he ever saw. According to Blackfoot legend she used love medicine catch him.**



# Naapi and Council

- One of Naapi and Kookum's Children was Notoyi's who was on Council.
- Naapi was frustrated and wanted to find out how the Nation was run.
- He invited Notoyi's over for mint tea and bannock

# Understanding of finance?

- **As a Community member what is your understanding of Finance?**
- **Do a round table discussion**

# **Building a Healthy Economy**

- **Notoyi's told Naapi that economy is the a way community organizes to meet the physical needs of the community.**
- **An economy comprises of businesses that provide for needs and wants of the community, i.e.. Groceries, gas, water, sewer, homes etc.**

# Traditional Economy

- In Naapi's younger days how did the community meet its physical needs.
- Group exercise – answer the following questions
  1. Did your people preserve/save any resources to be used year round? What?
  2. How did they budget resources to be used throughout the year?
  3. Why do you think they developed this type of schedule?
  4. What types of goods did they trade? Where goods specifically put aside for the purpose of trading?



# **Present Day Local Economy**

- **Our economy is made of businesses that serve our needs. When you make a purchase, you contribute to the economy.**
- **Think about who owns the businesses where you buy things. Do you make purchases owned by community members? First Nation? Non-native owned businesses?**

# Local Economy Exercise

- List the following
  1. Community businesses
  2. First Nation businesses
  3. Non –native-owned businesses

What does this say about our economic self-reliance?

# Leaking Economy

- Who gets our money?
- Round Table Discussion
- Community
- personal

# **Circulating Money in Community**

- **What is the Community's annual budget?**
- **How much do you think is spent at businesses owned by community members?**
- **How much do you think is spent at businesses owned by community members?**
- **What are the benefits of strengthening our local economy?**

# Where do we get our Money?

- Naapi told Notoyi's "in the old days our money was managed by the Indian Agent and held in Ottawa"
- He asked "Where do get our money and who manages it"
- Group Discussion

# First Nation Financial Resources

## Resource

- Below the surface revenue like oil and gas
- Above surface revenue like agriculture, permits, interest from money held in Ottawa Trust

## Managed By

- INAC Region and Head quarters held in Ottawa Capital Trust Account – Sec 64 Indian Act
- Chief and Council request by Band Council Resolution
- INAC and Chief and Council held in Ottawa Revenue Trust and Nation's Bank – Sec 66 and 69 Indian Act

# First Nation Financial Resources

## Resources

- Settlements such as land claims
- Financial Agreements with Canada and Provinces

## Managed by

- Bank Trustees and accessed through Trust agreements
- Chief and Council through signed agreements with specific terms and conditions

# First Nation Spending Plan

- **Notoyi's came over to his parents for breakfast – his wife only knew how to boil eggs and ichiban.**
- **Naapi asked Notoyi's “ How does Chief and Council decide on what they spend our money on and why don't we get more distributions ? ”**



# First Nation Spending Plan

**A good government has a strategic, business and annual plans. Goals are quantified**

- 1. We look at what we have spent in the past (Track)**
- 2. We look at the financial resources that are available for the year (Assess)**
- 3. We include how what we will need for future years (Save)**
- 4. Then we put into an action plan, Who, where, and when it will take place**

# **First Nation Spending Plan Exercise**

**Goal: Develop a spending plan for the Naapi's First Nation**

- 1. You are new reserve and do not have spending plans**
- 2. You have received the following;**
  - 1 million dollars from trust accounts**
  - INAC Funding is earmarked for Education, Social Services, public works and housing**
- 3. You want to build a recreation centre in three years**

# First Nation Credit

**Naapi asked “ Where does the Nation get money when they don’t have the cash”**

**Most First Nations borrow money from the Banks and pay an interest.**

**Most banks offer First Nation prime plus depending on the five C’s**

**The interest is based on the Nation’s Character, Capacity, Capital, Collateral and Conditions**

**There are new First Nation institutions that can help them borrow on the stock market. They are the Indian Taxation Commission, Finance Authority and First Nation Financial Management Board**

# Financial Statements

- 1. Balance Sheet**
- 2. Income Statement**
- 3. Cash Flow Statement**
- 4. Statement of Shareholder's Equity**

# Balance Sheet or Statement of Financial Position

- The Balance Sheet “balances” the First Nation’s assets, liabilities and members’ equity. The total of the assets reported on the top half of the statement must equal the sum of the liabilities and equity reported on the bottom half of the statement.
- The balance sheet provides a snapshot of the financial position and health of the First Nation at a point in time

# Assets in a First Nation's Balance Sheet include:

<b><u>Assets</u></b>	<b><u>Description</u></b>
<b>Cash</b>	<b>Represents cash in bank accounts and short term deposits.</b>
<b>Accounts Receivable</b>	<b>Represents amounts due from INAC and other funding bodies, as well as from the operating activities of the First Nation, for example, rent receivable from tenants.</b>
<b>Investment in incorporated businesses</b>	<b>Represents a First Nation's investment in 'for profit' subsidiaries, or activities. These are accounted for on the modified equity basis in accordance with public sector accounting standards.</b>
<b>Capital Assets</b>	<b>Capital assets consist primarily of buildings, infrastructure, land, automotive equipment, furniture &amp; fixtures and computer equipment.</b>
<b>Trust Funds</b>	<b>Represents funds held on behalf of the First Nation by the Government of – for example Capital Trust Account and Revenue Trust Account. (A corresponding amount will be included in Members' Equity).</b>

# Liabilities in a First Nation's Balance Sheet include:

<u><i>Liabilities</i></u>	<u><i>Description</i></u>
<b>Bank Indebtedness</b>	<b>Represents overdrawn bank accounts.</b>
<b>Accounts Payable and Accrued Liabilities</b>	<b>Represents amounts due to third parties, accruals for services provided but not invoiced and other sundry liabilities.</b>
<b>Deferred revenue</b>	<b>Represents funding provided by an outside agency for which the terms of the funding agreement allowing the recognition of revenue have not yet been met.</b>
<b>Long Term Debt – capital and non-capital.</b>	<b>Represents proceeds from bank loans that is repayable over a number of years for both capital and non-capital purposes.</b>
<b>Members' Equity - Trust Funds</b>	<b>Represents the equity component of funds held on behalf of the First Nation by the Government of .</b>
<b>Members' Equity – Equity in Capital Assets</b>	<b>Represents the First Nation's cumulative investment in capital assets and is the reported value of the capital assets less the long-term capital debt.</b>
<b>Members' Equity – Surplus</b>	<b>Represents the accumulated surplus from operations in the current and past years.</b>

# Statement of Revenue, Expenditures and Surplus

- The Statement of Revenue, Expenditures and Surplus is also commonly called:
  - The Income Statement
  - The Statement of Operations
- This statement details the specific revenue and expenditures of the First Nation that result in the surplus or deficit for the year.
- The statement also reconciles the surplus or deficit for the year to the accumulated surplus reported on the balance sheet.
- The appropriateness of the grouping of amounts in this statement is a matter of judgment.



# The key revenue items in a First Nation's Revenue and Expenditure:

## Revenue

**FTA Funding**

**Band Trust Capital**

**Band Trust Revenue**

**Grants – Provincial & Federal**

**Long term debt proceeds**

**Contribution Arrangement**

# The key expense items in a First Nation's financial statements include:

## *Expenditures*

**Capital asset expenditures**

**Wages & Benefits**

**Conferences & Travel**

**Contracted Services**

**Repairs & Maintenance**

**Social Assistance**

**Revenue Distributions**

**Special Programs and Services**

**Tuition Fees**

**Write-down of assets**

# Statement of Cash Flows

- The Statement of Cash Flows is generally a very difficult statement to understand!
- The statement segregates the *source and use* of cash between operating, financing and investing activities. Basically, it tracks the movement in cash balances during the year.
- The key aspect of this financial statement in terms of the health of an entity is “cash flow from operations”.

# Notes to Financial Statement

- The notes to the financial statement provide additional disclosure and information about the company, such as:
  - - Description of the organization
    - Accounting policies
    - Investments in joint ventures
    - Capital assets
    - Long-term capital and non-capital debt
    - Restricted funds
    - Damage deposits
    - Replacement reserves
    - Financial instruments.

# Benefits of Notes to Financial Statement

- The accounting policies note is useful since it allows the reader to understand how items in the financial statements have been accounted for by the organization, especially in cases where a choice of policy is available – for example, amortization of capital assets.
- The financial statements of a First Nation will usually always contain a note indicating the composition of the capital assets balance recorded in the balance sheet. This will detail cost and accumulated amortization by asset type.
- The long-term capital and non-capital debt notes will contain certain required disclosures:
  - - Terms for repayment of the debt
  - - Interest rate
  - - Security provided

# Schedules to the Financial Statements

- INAC requires that schedules to the financial statements be provided in respect of the following :
- - Distribution of Funds
  - Receipt and Disposal of Capital Trust Monies
  - Receipt and Disposal of Revenue Trust Monies
  - Schedule of Salaries, Honoraria and Travel Expense for elected officials and unelected senior management.
  - Schedule of Trust Funds

# Why does the Nation Do Audits

- INAC requirement – Public Funds
- GAAP for First Nations is the CICA Public Sector Accounting Handbook (“PSAAB”).
- Consolidated audited financial statements prepared in accordance with INAC’s year-end reporting handbook
- Separate schedules of revenues and expenditures for each individual program in the funding agreement, that is, program statements. These program statements are un-audited unless a specific request for audit is received from a funding body.
- Audited financial statements must be filed with INAC by July 31!

# **What is an Audit?**

**Naapi asked Notoyi's**

**“What is an audit and who are the auditor's? I always hear your sister, “Big Girl” complaining about Audit Time.”**

**An Audit is an independent review of the Nation's financial activities. It is done by Chartered Accountants and they have to follow the Public Sector Accounting Board Standards.**



# What is the Audit telling me

The audited f/s tells you if you have complied with GAAP, and have good internal controls

We are managing our resources within our means. Surplus or Deficit

Can we pay our Bills –  $CA > CL$

Can we sustain our spending ?

Long term health – Total assets to Total liabilities – net financial asset/net debt

# **What is an Audit?**

**During an Audit, auditors evaluate the internal control systems and suggest ways to improve the operational effectiveness and profitability of the Nation.**

# **What's Chief and Council role in financial management**

- **Set the Vision and mandate**
- **Approve Fiscal year financial plan**
- **Set policy**
- **Approve procedures (financial policies)**
- **Review Financial reports – recommend once a month – Revenue and Expenditure Statements**
- **Ask questions, ask more question to CFO or Finance Director.**

# Key questions from C&C

- If you have boards- do they have director's liability insurance
- Is there indemnification procedures
- Minute books up to date
- What are the conflict of interest policy
- Is financial mandate clear
- Is there a operational manual ?
- Are we submitting our benefits on time?



**Spending plan is a four – step process.**

**You need to:**

- 1. Track**
- 2. Assess**
- 3. Save**
- 4. Take action**

# Kookum's Advice to C&C

- Have a long term Financial Plan
- Have a yearly spending plan (budget)
- Build up an emergency saving plan ( reserve or future generation account)
- Watch out for scams
- Invest wisely and talk to professional
- Review and assess spending
- Take me to Bingo once in awhile

Questions?