



Aboriginal Finance Officers Association of Canada

Celebrating 5 years of excellence



2003.2004

A N N U A L R E P O R T

Foundations for the Future

A Message from the Chair



I am pleased and honoured to introduce this Annual Report to our members and stakeholders on the occasion of AFOA's 5th anniversary year. This is a time to celebrate our achievements over the past five years, and to plan ahead for the next five years. There is much that must be accomplished — as the message from our President that follows so aptly demonstrates.

AFOA has achieved a great deal of success since it was founded five years ago. Consider that in this time we have:

- Established a membership base of close to 600 Aboriginal financial professionals and managers, and developed a valuable membership services program.
- Held four highly successful and well attended National Conferences.
- Developed and promoted the Aboriginal Financial Management (AFM) program — a series of 14 courses leading to a diploma and certification.
- Established a professional designation unique to Canadian Aboriginals — the Certified Aboriginal Financial Manager (CAFM). AFOA is the only organization in the world to offer this designation. Today, there are over 200 CAFMs.
- Created a comprehensive on-line professional development program tailored to Aboriginal financial managers, now featuring five on-line courses.
- Helped establish and support AFOA Chapters throughout the country.
- Hosted a series of professional development workshops across Canada.
- Forged important partnerships aimed at enhancing Aboriginal management.
- Promoted and distributed a number of valuable resources to help members manage their community finances.
- Launched important Aboriginal capacity development projects, like the Knowledge Sharing Initiative (KSI).
- Established the *Excellence in Aboriginal Financial Leadership Award*.
- Promoted and enhanced the reputation of Aboriginal financial professionals and management Canada-wide, as well as the profile of AFOA Canada.

The past year in particular has been one of significant growth and development. AFOA welcomed a new President & Chief Operating Officer who is implementing a number of important management initiatives that will guarantee our continued success. We have developed an ambitious work plan to guide our activities over the next year. We established a new Chapter in Manitoba and are taking steps to establish a Nunavut and Atlantic Chapter. We have made a significant effort to support our Chapters this year by helping them to put on educational workshops and creating a Task Force to examine ways and means of ensuring their sustainability. We developed two new on-line courses. We are creating new partnerships. In February we held the most successful Conference that AFOA has ever hosted. We sought and received funding for two significant capacity development initiatives that will result in a wide range of resources and tools to help you enhance your financial management in 2004/2005. All the while, we continued to increase our membership and conferred over 40 CAFM designations.

This progress would not have been possible without the efforts of our Board of Directors. I would like to take this opportunity to thank our volunteer Board. I would like to extend our appreciation in particular to former Chair Donna Morin, CAFM, for her commitment to AFOA and efforts on our behalf for the last three years. I would also like to thank outgoing Board members Margaret Bushie, CAFM, Shirley Reilly, CGA, Tammy Drew, CGA, CAFM, for their service on the Board of Directors for the past three years.

I am proud to be AFOA's new Chair during these exciting times, and look forward to unparalleled growth and progress in the year to come.

Marilyn Osecap

A Message from the President

When I assumed the position of President & Chief Operating Officer at the end of the fiscal year that this Annual Report describes, I wanted to build a strong, sustainable organization whose work resulted in concrete, valuable resources and services that will ultimately create better communities, better services, better organizations and a better future. I believe, along with our Board of Directors and members, that one of the most important ways we can help create a better life for today's Aboriginals, and those of the next generation, is to continue to enhance our finance and management skills. After traveling across the country and meeting with our Chapters and our members over the course of my first few months, I believe this even more.

I promised in the last Annual Report that I would strive to do my utmost to build on our accomplishments to date and reach for new, bigger and even better goals. Today, I am proud to report that we are well on our way towards those goals.

We have embarked on an ambitious work plan for 2004/2005 building on the ten key strategic priorities identified by our Board of Directors last year. We continue to take steps to strengthen our Chapters. We are forging and nurturing valuable new partnerships like those with the Assembly of First Nations and the Certified General Accountants Association of Canada. We are building on the Aboriginal Financial Management educational program. Planning is well underway for an exciting 5th National Conference featuring more sessions and speakers than ever before. We are establishing new Chapters in Nunavut and in the Atlantic. And we have plans underway to attract more and more members and increase the number of Certified Aboriginal Financial Managers across the country.

One of the most important developments since our last Annual Report is that AFOA received funding for two very important projects scheduled for completion in 2004/2005. These initiatives — the Knowledge Sharing Initiative (KSI) and the Distributed Knowledge Sharing Initiative (DKS) — will result in concrete, useful resources, tools and education to help you become a better manager and a better professional. This also represents an important step in supporting our Aboriginal youth. The KSI program will help build the foundation for new generation of financial and management professionals. Its objective is to provide Aboriginal youth with initiative, support and assistance.

Each of these two initiatives are described in detail later in this Annual Report, as are our achievements over 2003/2004. I look forward to reporting to our members on "bigger and better" achievements in next year's Annual Report.



A handwritten signature in black ink, consisting of a large, stylized loop followed by a long horizontal line extending to the right.

Ernie Daniels

The AFOA — The Background

AFOA was founded in 1999 to help Aboriginals better manage and govern their communities and organizations through effective financial management.

In 1998 the Federal Government responded to the *Royal Commission on Aboriginal Peoples* in its report *Gathering Strength — Canada's Aboriginal Action Plan*, by identifying capacity development in financial management and accountability as a critical pre-condition to self-government. To this end, the Assembly of First Nations (AFN) and the Certified General Accountants Association of Canada (CGA) launched a partnership aimed at raising financial management skills and standards of First Nations and building the foundation for self-government. The Aboriginal Financial Association of Canada (AFOA) was created in late 1999 as a result of this initiative.

The AFOA develops and promotes quality standards, practices, education, training and research to enhance capacity for effective financial management in Aboriginal communities and organizations. We build partnerships, provide certification and professional development, and develop resources and tools to enable Aboriginal financial and management executives to provide leadership, enhance the effectiveness of their financial administration and management, promote confidence and meet the challenges along the path of self-governance.

AFOA Governance and Management

AFOA is fortunate to be guided by a dedicated Executive Committee and Board of Directors representing Aboriginals across the country. The success of AFOA is very much the result of the work of this committed group of people.

The Executive Committee and Board of Directors for 2003/2004 were:

Executive

Chair: Donna Morin, CMA, CAFM

Vice-Chair: Richard Sack, CAFM

Secretary-Treasurer: Tammy Drew, CGA, CAFM

Directors

Gloria Allen (NWT)

Chris Bolton (BC)

Margaret Bushie, CAFM (Manitoba)

Romeo Crow Chief, CAFM (Alberta)

Ricky Fontaine, CAFM (At-large)

Darlene Lafontaine (Ontario)

Randell Glen Morris (At-large)

Marilyn Osecap, CAFM (Saskatchewan)

Shirley Reilly, FCGA (At-large)

AFOA Welcomes New President and Chief Operating Officer

On March 1, 2004, AFOA welcomed new President & COO Ernie Daniels. Mr. Daniels is formerly Director of Assessments and Finance Operations with the Aboriginal Healing Foundation.

"I look forward to the great opportunities that lie ahead of AFOA..." Mr. Daniels told members at the Annual General Meeting in February 2004, "...there is enormous potential for growth and for AFOA to increase the contribution it makes to Aboriginal finance and management in the years to come."

The Launch of Important Management Initiatives

Upon taking the helm, AFOA's new President and COO launched a number of significant management initiatives designed to enhance AFOA's governance, financial controls and management infrastructure. These include:

- Implementation of AFOA's Financial Review Committee's recommendations on Financial Policies
- Development of a Financial Policies Manual
- Development of a Personnel Policies and Procedures Manual
- Development of a Work plan to guide AFOA's work for 2004/2005 (See AFOA Plans for the Future below)
- Development of a Board of Directors' Manual
- Initiation of a review of AFOA 's By-Laws

These initiatives will continue into, and be completed in, 2004/2005.

AFOA Plans for the Future

This year AFOA's Board of Directors approved an ambitious Business Plan to guide AFOA's work for 2004/2005. This Business Plan supports the new Strategic Plan developed by the Board in March 2003 which identified ten key strategic priorities. They are:

1. Impact and influence management and governance issues fundamental to the success of First Nations;
2. Build an effective partnership between AFOA National and AFOA Chapters;
3. Achieve financial sustainability;
4. Be at the leading edge of technology to advance Aboriginal financial management capacity;
5. Engage in image and awareness activities to build credibility;
6. Increase and enhance strategic partnerships with like-minded organizations;
7. Provide members with timely, relevant products and services to support and enhance the role of Aboriginal financial managers;
8. Demonstrate outstanding governance to enhance the association's effectiveness
9. Enhance the AFM program and expand access for students; and,
10. Develop and promote regulations and standards regarding Aboriginal financial management and accountability.

AFOA staff subsequently built a Work plan based on the Business Plan which sets out in detail the actions AFOA will undertake in 2004/2005 to achieve its strategic objectives.

AFOA Chapter Development and Support

AFOA currently has chapters operating in British Columbia, Alberta, Manitoba, Saskatchewan, Ontario and the Northwest Territories.

Chapters play an important role and have significant value in the achievement of AFOA's mandate and objectives. Chapters:

- provide a direct link to local aboriginal financial professionals and management;
- enhance communication by providing an efficient and effective method of addressing local issues;
- provide on-site assistance and delivery of services tailored to specific geographical needs;
- provide members with relatively inexpensive/cost-efficient "face to face" networking and professional development opportunities;
- provide a direct conduit for local member issues and concerns; and,
- serve as a vital link between AFOA Canada and local aboriginal organizations.

AFOA President Ernie Daniels began his term by visiting every Chapter across the country to receive a briefing on Chapter operations and challenges and to provide information on emerging issues for professional associations, impacts of pending legislation and Chapter governance issues, as well as to brief Directors and get their input on the Chapters' Task Force Report (see below.) Other Chapter development activities and efforts are outlined below.

AFOA Supports Chapter Capacity Development Activities

Many of AFOA's Chapters are without administrative staff or offices. This year AFOA Canada made a significant effort to assist Chapters in capacity development activities which they otherwise would not have the resources to support.

Saskatchewan Capacity Development Workshop

Saskatchewan, with AFOA Canada assistance, held a very successful capacity development workshop in Saskatoon in January 2004 with the support of funding from the Department of Indian & Northern Affairs Saskatchewan secured by AFOA National.

Over 100 Aboriginal financial managers, program managers and administrators networked with colleagues across Saskatchewan to discuss best practices over two days. They participated in sessions that focused on:

- The changing financial management function in First Nations
- Human resource management
- Internal controls and fraud
- Legislative initiatives impacting Aboriginal financial management capacity in Saskatchewan
- The Certified Aboriginal Financial Manager (CAFM) designation and the Aboriginal Financial Management (AFM) educational program



Manitoba Workshop and Manitoba Chapter Re-established

AFOA hosted a capacity development workshop for Aboriginal financial management in Winnipeg on January 2004. The workshop was held to help strengthen financial management capacity in the province. A second objective was to re-establish and lay the foundation for the new Aboriginal Financial Officers Association of Manitoba Chapter. The two day event attracted over 100 people.

AFOA Manitoba was incorporated at the end of the fiscal year.

Supporting Chapter Directors

AFOA has developed, produced and distributed to all Chapter Directors a Chapter Directors' Manual to support their governance efforts. The Manual provides general information on:

- AFOA history, governance and administration
- Strategic plans and annual reports
- Policies and standards
- Product and service information
- Best practices and tools for non-profit Boards

AFOA Chapters Task Force

— Strengthening AFOA Chapters and Building a New Relationship

AFOA Chapters have been facing significant challenges due to a scarcity of funding to support operations, administration and staff. This has some unfortunate consequences. Several chapters do not have an office and have no administrative staff. Without this core infrastructure and support they are limited in their ability to fulfill their objectives. Voluntary Chapter Boards of Directors have of necessity been required to provide administrative support — a difficult task for many due to lack of time and resources.

This year AFOA National has strived to provide as much administrative support as possible to those Chapters in need, within its current operational funding and resources. The workshops and Chapters Directors' Manual described above are demonstrations of this support.

In early 2004 AFOA struck a Chapters Task Force in an effort to strengthen AFOA's Chapters, ensure adequate Chapter funding and sustainability, and streamline Chapter operations and membership with each other and that of AFOA National. The Task Force's objectives were to:

- Assess the current funding arrangements and challenges for Chapters;
- Review Chapter funding models with a view to achieving sustainability for Chapter governance and operations; and,
- Review Chapter and National membership categories and fees with a view towards establishing a consistent and complimentary framework conducive to increased membership and revenue.

The Task Force made a series of important recommendations. Meetings were held with all Chapters to review the recommendations and receive Chapter input. A final report was approved by AFOA's Board of Directors, and is now being reviewed by each Chapter's Board of Directors. These recommendations are reproduced in the side box at right. They will be implemented upon final approval by all Chapter Boards, and once the required by-law changes are made.

Chapter Regulations being developed

The first steps are being taken to draft Chapter regulations which will formally set out the parameters of the relationship between AFOA Canada and AFOA Chapters' legal requirements, rights and obligations. The formalization of Chapter Regulations is considered a best practice among leading associations.

AFOA Canada signs MOU with AFOA Ontario

The relationship between AFOA Canada and AFOA Ontario was formalized through a Memorandum of Understanding between the two organizations this year. The MOU was signed at a special ceremony held at the National Conference in February 2004. AFOA Canada currently has MOUs with all AFOA Chapters with the exception of British Columbia.



AFOA's National Conference —The National Forum for Excellence and Innovation in Aboriginal Finance and Management

AFOA's National Conference is the only forum for the exchange of knowledge and information on aboriginal finance and management in the country. It is an important venue where Aboriginal financial professionals, Band administrators and other managers, Chiefs, Tribal Council members, Government representatives and consultants working with Aboriginal communities can get together to explore emerging strategies and tools to enhance finance and management in Aboriginal communities and organizations.

AFOA held its fourth National Conference February 26-28, in Calgary, Alberta. It was an outstanding success.

Over six hundred attended the Conference — more than have ever participated before. They included financial managers and officers, decision-makers, Chiefs and Council members in First Nation, Metis and Inuit communities, as well as accountants and financial advisors working in the public and private sectors, and provincial and federal government officials.

Over fifty speakers were featured including National Chief Phil Fontaine, who delivered a thought-provoking speech to launch the conference proceedings. Senior representatives of each of the four institutions being established under the proposed First Nations Fiscal and Statistical Management Act, formerly known as C-19, participated in a plenary session focusing on the Institutions, their objectives and potential impact on Aboriginal financial management.

Other important sessions included *"Reporting to Federal Organizations – Easing the Burden"* — which examined the Auditor General's report on streamlining First Nations reporting and the progress that has been made to address this issue. *"Federal Government Initiatives — What's New?"* explored a wide range of federal government initiatives impacting Aboriginals. Other presenters spoke about new resources and financial management strategies available to help financial professionals and management meet the challenges that lie ahead. Sessions topics included:

- Accountability: A Reflective Perspective
- Effective financial management and governance
- Understanding the Audit Process
- Understanding Financial statements and budgets (for non-financial managers)
- Managing human resources
- Fraud and internal controls
- Finding new funding opportunities
- Records and document management
- Using evaluations as a management tool
- Community planning
- Developing financial management and accountability regulations
- Communicating effectively with Council and community
- Using technology to enhance financial management.

AFOA was pleased to welcome Waneek Horn-Miller, Aboriginal activist, Olympic athlete and broadcaster as a guest luncheon speaker. Dinner entertainment featured the Red Thunder Dance Troupe and the noted Aboriginal comedian Don Burnstick.

Significant sponsorship for the conference was obtained from Aboriginal Information Systems, BDO Dunwoody, Bank of Montreal, CIBC, CGA-Canada, Export Development Corporation, Grant Thornton, PriceWaterhouseCoopers, Objectified Software, Xerox and Royal Bank of Canada.

Speakers presentations were made available at www.foa.ca.



"Sound financial management is a pillar of strength and will help lift our communities out of third world conditions and into the age of innovation"

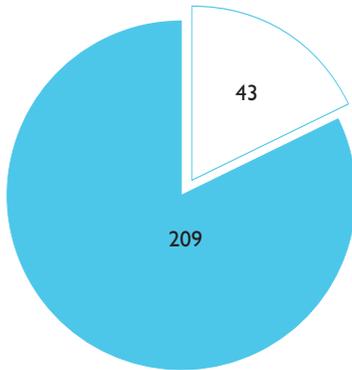
Phil Fontaine,
Keynote Address,
AFOA National Conference,
February 22, 2004, Calgary, Alberta



Waneek Horn-Miller

AFOA Professional Services

CAFM Designation



- CAFMs Granted 2003-2004
- CAFMs Granted 1999-2003

The Certified Aboriginal Financial Management (CAFM) designation

This year the AFOA continued to promote the CAFM designation as the preferred credential for Aboriginal financial management — one that identifies CAFMs as highly qualified financial management professionals able to meet today’s challenges.

Since inception of the CAFM designation, AFOA has conferred 252 CAFM designations. This past fiscal year, the CAFM designation was granted to 43 members who met the Special Arrangement Provision to receive their CAFM status.

Aboriginal Financial Management (AFM) Program

A series of 14 courses covering competencies and subjects critical to effective Aboriginal and First Nation financial management make up the Aboriginal Financial Management program. Eleven courses are available at post-secondary educational institutions throughout Canada. Four courses are provided by AFOA Canada on-line: AFM3 — Law; AFM 4 — Strategy & Decisions; AFM 6 — Aboriginal History & Developments; and, AFM 14 — Aboriginal Human & Fiscal Issues.

AFM 3 Law course now available on-line at www.foa.ca

This year AFOA developed a fourth course required in the CAFM program — AFM 3 — Law for on-line delivery. This is the third course in the Certified Aboriginal Financial Manager Program. It offers Aboriginal financial managers the opportunity to learn about legal and legislative requirements and practices that occur in activities undertaken by Aboriginal organizations.

Aboriginal organizations are assuming more self-government responsibilities and pursuing new opportunities. With increased responsibility comes the need for increased understanding of law and its impact. An increased level of understanding will reduce risk and improve decision making.

This course provides information on the legal framework for government and First Nations relations, legal transactions, issues and legislation. The financial manager is expected to have a good understand of legal matters and reduce potential liability for their organizations.

New course developed on Community Economic Development

AFOA developed a new on-line course this year focusing on Community Economic Development. It was designed to enable financial and other program managers, Chiefs and Councils and community members gain a broader insight into aspects of community economic development.

One of the top challenges for most First Nation communities is to increase economic development opportunities. This course offers an understanding and an opportunity to develop skills in advancing community economic development. It will assist those in communities without an economic development officer a path for moving things forward. For those communities with an economic development officer it will expand the team of individuals with knowledge and skills to move things forward.

The CAFM Professional Examination

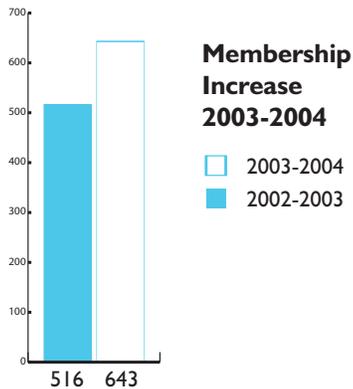
The CAFM Professional Examination is a requirement for CAFM certification under regular conditions and Arrangement #3 of the Special Arrangements Provision. During 2003/2004 AFOA together with CGA Canada made significant strides in finalizing three CAFM Professional Examinations. The draft Examinations have been reviewed by a team of CAFMs and CGAs and plans are currently underway to offer Exam Preparation sessions to interested candidates. The Examinations will be ready to be written in spring 2005.



AFOA Membership

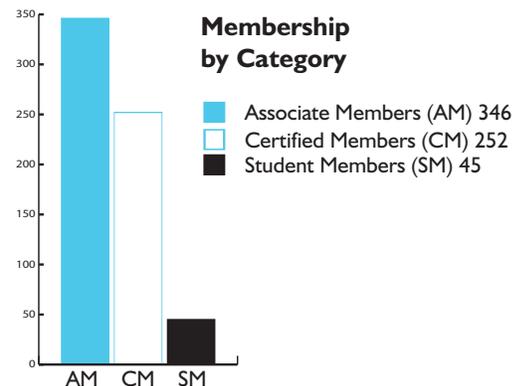
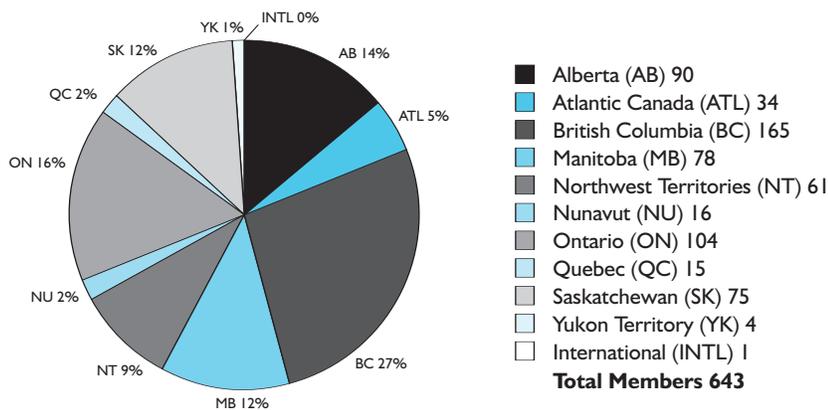
Membership Statistics

As of March 31, 2004, AFOA had 643 members, 127 more members than at March 31, 2003, representing a 25% increase.



Membership by Category

The charts below depict the geographical distribution of AFOA Members and the membership by category.



AFOA Corporate Membership

This year AFOA developed an expanded Corporate Members benefits package. Corporate membership increased as a result. Corporate members now include:

- Advanced Data Systems Ltd.
- Aboriginal Link Telecommunications
- CGA-Canada
- Grant Thornton, LLP
- Many Nations Financial Services Ltd.
- Meyers Norris Penny, LLP
- Softrak Systems Inc.
- Statistics Canada
- William Squibb & Associates

Products, Research & Capacity Development

Inaugural Excellence in Aboriginal Financial Leadership Awards Presented

The first Excellence in Leadership Award was presented to two winners at AFOA's National Conference in February.

The Leadership Award is an initiative of AFOA and Xerox Canada. The Award is the result of a special partnership between Xerox Canada and AFOA to enhance the quality of leadership in financial management. The Award recognizes individuals who have demonstrated commitment and leadership in financial management in Aboriginal communities and organizations.

There are two categories for nominations for the AFOA-Xerox Excellence in Leadership Award. The National category recognizes individuals who have contributed to the Aboriginal financial management profession on a national or institutional level. The Regional category recognizes those individuals who have made their contributions at the regional, local or community level.

The Award provides financial professionals with a "standard of excellence" to measure and recognize their achievements and contributions toward effective, well-managed and well-governed Aboriginal communities and organizations.

This year's Awards went to:

National Category:

Keith G. Martell, CA, CAFM
Chairman
First Nations Bank of Canada
Saskatchewan

Regional Category:

Sharon Stevenson, CAFM
Finance Manager
Peguis School Board
Manitoba



2004 Leadership Awards Winners.



The Knowledge Sharing Initiative (KSI)

– Building the Centre for Aboriginal Finance and Management Excellence

AFOA continued its efforts this year to secure funding and develop a strategy to create products for and launch the *Centre for Aboriginal Finance and Management Excellence*. The *Aboriginal Centre for Finance and Management Excellence* will be a comprehensive, integrated web portal that focuses on e-learning and includes on-line courses, student support services, a career support service and hundreds of on-line finance and management resources, services and networking opportunities.

This initiative has six key objectives:

1. Improve and expand AFOA's services and support through the provision of primarily web-based professional development, products, services, resources and tools
2. Increase AFOA membership value and services
3. Support First Nations in their self-governance and self-determination efforts
4. Make a significant contribution to better management and governance in Aboriginal communities
5. Provide a conduit to and a primary source of information and knowledge for Aboriginal students, and those post-secondary educational institutions that teach them
6. Create a better informed job market for Aboriginal financial professionals and management.

Aboriginal Financial Management Capacity Development Survey and Focus Groups

The intention of the *Centre for Aboriginal Finance & Management Excellence* is to significantly enhance capacity in management effectiveness, governance, accountability and financial management and reporting in Aboriginal communities and organizations.

As a first step to ensure that this initiative, and other AFOA efforts, do meet the needs of its members and stakeholders, the Association this year undertook a First Nations community survey and a series of community focus groups to establish:

1. A current profile of the constituencies which the AFOA is intended to serve, and their operating environments;
2. The key challenges these constituencies face and the obstacles that prevent improving the management of their finances and resources;
3. The priorities of those constituencies for capacity development, training and resources — what's needed in the way of training, resources and tools?
4. What existing resources and services are at their disposal? Are they being used, and how?
5. Current perceptions of the AFOA, its work and the need for the KSI Centre for Finance and Management Excellence; and,
6. Capability to access capacity development resources through existing internet connections and technology.

A total of 1,135 surveys were faxed to all First Nations communities and all Tribal Councils (with the exception of Quebec where only AFOA members were surveyed). A total of 196 surveys were completed and returned — a 17% response rate.

The survey served also as a basis of comparison to the 1999 survey of Financial Managers and Auditors that the CGA-AFN Accountability Project commissioned on accounting practices and standards used in First Nations. Close to four years later, subsequent to significant investment by the Federal Government of Canada and several years into AFOA's mandate, First Nation communities and financial and management practices have evolved significantly.

Eight focus group sessions were held across the country to supplement the survey results. Representation was sought from:

- Management and staff of Tribal Councils;
- First Nation financial managers, officers and directors;
- First Nation senior and program managers; and
- Chiefs and Council members.

In setting up the focus groups AFOA strived to have broad community representation by striking a balance between large, mid-sized and smaller communities that are either meeting or exceeding standards and/or are in remedial situations.

The focus group agenda addressed four key questions designed to supplement the findings of the survey:

1. What are your needs in terms of understanding finance and management knowledge and skills to support decision-making?
2. What related financial and management capacity development activities are occurring and what resources/vehicles are being used in your community?
3. What advise would you provide AFOA to develop financial and management capacity?
4. How ready and able are you and your organization to access knowledge and skills using the Internet?

There were 65 participants in the focus groups.

A summary of the results of the survey can be located on pages 13 and 14.

Survey and Focus Group Results

What is the profile of today's First Nations financial manager?
How has that changed from 1999?

Today's average First Nations financial manager is generally a female, from 35 to 44 years of age, who has completed some post-secondary education but does not hold an accounting designation. She has been in her position for less than five years. A significant percentage of financial managers who responded to the survey now hold a CAFM designation.

This is how the Aboriginal financial management profession in 2004 compares with 1999:

		2004	1999
Gender:	Female	69%	63%
	Male	31%	37%
Age:	25-34	16%	16%
	35-44	39%	47%
	45-54	30%	22%
	55-64	13%	9%
Education:	Less than High School	2%	9%
	High School	7%	14%
	Some Post-Secondary	26%	} 75%
	Completed Post-Secondary	35%	
	Post-Graduate	8%	n/a
Professional Designations:	CAFM	16%	0
	Other Accounting	23%	15%
Length of time in position:	Less 1 yr	9%	9%
	1-5 yrs	48%	48%
	6-10 yrs	24%	24%
	10+ yrs	12%	12%

What are the key challenges you are facing? What do you consider the major obstacles to improving how you manage your finances and resources?

Financial constraints, inadequate staff training and lack of training opportunities are the largest obstacles to effective financial management. In 1999 the most important issue was interaction with the federal government and community members, followed closely by capacity development issues like resources and training.

Reporting to community members is a major challenge. In 1999 First Nation financial managers were asked who they thought they were the most responsible to for financial information/reporting. 65% replied that they were most responsible to community members. The balance responded Chief/Council members (16%) and Government (14%).

In 2004, we asked First Nation financial managers to rate their reporting to each of these stakeholders. Overwhelmingly, reporting to community members was rated consistently low and was identified as a main challenge. On the other hand, reporting to government (69%) and reporting to Chief and Council (64%) were rated comparatively high.

What are your priorities for capacity development, training and resources — what do you need in the way of training, resources and tools?

Training and resources are urgently needed across a broad range of financial management topics and general management topics

Those topics that received the highest rating in importance in financial management and accounting are:

- Financial reporting
- Financial policies & procedures
- Budgeting/forecasting
- Fulfilling federal government reporting requirements
- Internal controls
- Performance measurement and reporting

Respondents also emphasized the need for financial training for Chiefs and Council members. Efforts at effective financial management and governance are hampered by a lack of financial knowledge on the part of Chiefs and Council members.

Capacity development in general management skills are also considered very important by a majority of participants in the survey, and received similar ratings as those for financial management topics. Those topics that received the highest rating in importance in both the survey and focus groups are:

- Human resource management
- Values & ethics
- Strategic planning
- Technology
- Project management

What existing resources and services are you using now?

The resources used most are overwhelmingly conferences and workshops offered by AFOA, followed closely by consultants. Reference materials and on-line resources are not being accessed as often primarily because individuals have limited guidance on how and where to access these resources and little time to research themselves.

Participants stressed that they require a “one-stop” resource centre that would offer them an amalgamated source of capacity development resources and services and would provide support to users in sorting through available resources.

What role do you think AFOA should play?

Three quarters of First Nations financial managers polled are familiar with AFOA. They believe AFOA should focus on:

1. Providing financial management training;
2. Certifying financial managers as Certified Aboriginal Financial Managers and spreading awareness of the designation;
3. Providing resources and tools that can be used by management; and,
4. Supporting Aboriginal youth who want to pursue a career in financial management.

What is your reliance on internet technology vis a vis capacity development?

Over 90% of First Nation financial managers have access to the internet and over _ of those have high speed connection. Over 60% feel it is very important to use the internet to access resources, but a vast majority do not because of limited information on where to go to access the resources they need.

Given the geographic isolation experienced by many communities and the lack of financial resources for travel and professional development, the ability of Aboriginal professionals and First Nation management to do their jobs well and manage effectively rests heavily on access to Internet resources. In the near future it will be imperative that communities and individuals have the needed technological capacity and the knowledge to navigate and access internet resources.

This survey indicates that First Nation communities are increasing their internet connectivity. However many users share their connections with 5 or more users, making their time on the internet that more valuable and the need to know “where to go” that more important.

KSI — Plans for the Future

AFOA has received funding from the Department of Indian & Northern Affairs Canada to develop products and services for the *Centre for Aboriginal Finance and Management Excellence* in 2004/2005. These products and services will focus on the capacity development needs identified in the survey and focus groups. By March 31, 2005, AFOA will have available to its members and stakeholders the following:

- Four new on-line professional development courses
- On-line and in-class course instructor training programs and materials
- Guidelines and procedures for the establishment of an on-line and 1-800 “Ask a CAFM” service for financial management and advisory and consultation services
- Plans for an Aboriginal student and educational institution portal
- An Aboriginal student scholarship fund
- A major resource publication aimed at capacity development in financial management
- A minimum of 10 resources, including reference material, best practices, practical tools, to be made available on-line.

Supporting First Nations governance efforts — The Distributed Knowledge Sharing (DKS) Project — A Catalogue of financial management codes developed by and for First Nations

The Federal Government of Canada has dedicated over 5 million dollars in the last year to 129 First Nation community governance pilot projects involving 296 First Nations. The objective of these projects was to develop band government codes and policies to support First Nations governance capacity. These government codes and policies include:

- leadership selection codes and policies;
- government administration codes and policies; and
- financial management and accountability codes and policies.

Over the last several years a number of First Nations and Aboriginal organizations have also taken the initiative to develop their own financial management codes without benefit of government funding. There is a need to bring the results of all these code development initiatives together into one resource accessible by all First Nations.

This year AFOA partnered with Global Development Group (GDG) in the development of an exciting new web-based application called the Distributed Knowledge Sharing (DKS) System. This is being designed to facilitate the development of financial codes by First Nation communities and ultimately can be utilized for similar development challenges.

In Phase I of this project, completed in 2003/2004, GDG designed the software templates, and AFOA filled the role of “content expert” by:

- Identifying and describing the stages in the process of developing financial management codes associated with best practices and;
- Reviewing related information on code development and developing a code classification system.

Phase II of the project will continue into 2004/2005. In Phase II, GDG will complete the design of the software application and AFOA will continue as “content expert”. Specifically, AFOA will research and catalogue all the financial management codes that have resulted from each of the above initiatives and any others that can be identified. The final product will be made available as a searchable resource on the *Distributed Knowledge System* accessed through www.foa.ca.

Partnership, Advocacy and Organizational Relations

In 2003/2004, AFOA Canada strengthened existing partnerships, forged new relationships and significantly expanded its advocacy efforts.

Assembly of First Nations

This year saw a new and productive relationship built with the Assembly of First Nations. A new Memorandum of Understanding was drafted with the Assembly which includes specific and substantive initiatives that will be undertaken by both organizations. These include a work plan to focus on:

- Canada-First Nations Funding Agreement models and First Nations reporting requirements to the Federal Government
- A First Nations accountability framework;
- First Nations financial management and administration standards;
- Investigating the establishment of a First Nations Auditor General;
- Enhancing the decision-making capacity of elected representatives in First Nations; and
- A review of the July 2000 recommendations of the AFN-Certified General Accountants Association Accountability working group to determine future courses of action.
- Sponsorship of a fellowship program for First Nation for training and career experience at the Office of the Auditor General.

The MOU was signed at the AFN Annual General Assembly in the summer of 2004. The initiatives will be implemented through 2004/2005.



Federal Government of Canada

AFOA continues to foster effective relations with the Federal Government of Canada and the Department of Indian & Northern Affairs Canada. Efforts have resulted in continued core funding for AFOA operations, and additional funding for Chapter events, and special projects like the Knowledge Sharing Initiative and the Distributed Knowledge Sharing Project (see Products, Research & Capacity Development above). AFOA has also been invited to sit on key Committees whose deliberations have a significant impact on First Nations, like the *Advisory Committee on the Review of Intervention Policies*.

CGA Canada

AFOA's partnership with CGA Canada continues to be a fruitful one. CGA Canada has been instrumental in the development of the CAFM Professional Examination, and a CGA appointed by CGA Canada continues to sit on AFOA's Board of Directors.

First Nations Fiscal Institutions

Four key First Nations Fiscal Institutions — the First Nations Tax Commission (FNTC), a First Nations Financial Management Board (FMB), the First Nations Statistics Institute (FNSI) and the First Nations Finance Authority (FNFA) — continues to be on the Government legislative table. AFOA has built effective relations with each of the Institutes over 2003/2004. We have forged a particular close relationship with the FMB whose mandate and objectives closely align with ours. The legislation currently under review requires that the AFOA appoint two members of the FMB Board. Efforts are being made to include representation from the First Nations Fiscal Institutions on AFOA research oversight committees.

First Nations Centre for Governance

The First Nations Centre for Governance was instituted late this fiscal year. Its priority is to support and enhance First Nation's efforts to govern themselves. The Centre has two mandates: 1) To help develop day to day government operations; and 2) To provide support in efforts to implement rights of self-government. AFOA has taken steps to forge a mutually beneficial relationship with the Centre for the year ahead.

Auditor's Report to the Directors

We have audited the statement of financial position of Aboriginal Financial Officers Association of Canada as at March 31, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for March 31, 2003 were reported on by another firm of chartered accountants.



Chartered Accountants

Ottawa, Canada
June 8, 2004

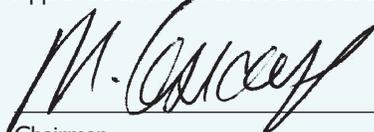
Statement of Financial Position

March 31, 2004, with comparative figures for 2003

	2004	2003
Assets		
Current Assets:		
Cash and cash equivalents	\$ 561,973	\$ 425,840
Amounts receivable:		
Government (note 3)	59,577	240,985
Other	102,821	27,196
Prepaid expenses	4,754	6,771
Inventory (note 10)	12,033	—
	741,158	700,792
Capital assets (note 4)	115,273	139,427
	\$ 856,431	\$ 840,219
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 231,989	\$ 159,160
Deferred membership revenue	49,963	29,205
Deferred government contributions (note 5)	76,986	292,429
Due to DIAND (note 6)	82,888	82,888
Due to Health Canada (note 7)	95,822	95,822
	537,648	659,504
Net assets:		
Unrestricted	203,510	41,288
Invested in capital assets	115,273	139,427
	318,783	180,715
Commitment (note 8)		
Contingencies (note 9)		
	\$ 856,431	840,219

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board of Directors:


Chairman


Treasurer

Statement of Operations

Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
Revenue:		
Government contributions		
DIAND (note 5)	\$ 807,407	\$ 868,084
Health Canada (note 5)	232,847	400,390
Other	—	76,514
Membership fees	70,119	41,731
Conference	388,263	197,985
Workshops/courses	73,529	18,321
Other	43,694	17,816
	1,615,859	1,620,841
Expenses:		
Governance:		
Board/committee/president	93,099	135,141
Operations and management:		
Staffing and professional development	433,018	428,099
Travel	15,434	28,734
Telecommunications	10,188	12,540
Postage and courier	16,246	11,006
Office supplies and equipment leasing	60,913	49,188
Office accommodations	38,091	40,968
Professional fees	37,447	32,724
Amortization of capital assets	37,442	44,871
Bank charges, insurance and other	12,831	7,715
Bad debts	4,920	—
	666,530	655,845
Capacity development:		
Web site	4,489	14,771
National conference	263,546	218,983
Workshops	29,883	—
Chapter development	93,021	5,526
AFM program development	4,838	16,045
CAFM certification	10,726	8,627
Communications and marketing	38,764	73,822
AFOA news	2,786	3,889
On-line expenses	1,553	2,122
Special projects	281,185	452,048
	730,791	795,833
	1,490,420	1,586,819
Excess of revenue over expenses from continuing operations	125,439	34,022
Other revenue (expenses)(note 9):		
Non-qualifying expenses	—	(93,150)
Proceeds from insurance	50,000	—
Legal expenses	(37,371)	—
	12,629	(93,150)
Excess (deficiency) of revenue over expenses	\$ 138,068	\$ (59,128)

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Year ended March 31, 2004, with comparative figures for 2003

	Investments in capital assets	Unrestricted	2004 Total	2003 Total
Balance, beginning of year	\$ 139,427	\$ 41,288	\$ 180,715	\$ 239,843
Excess (deficiency) of revenue over expenses	—	138,068	138,068	(59,128)
Additions to capital assets	13,288	(13,288)	—	—
Amortization of capital assets	(37,442)	37,442	—	—
Balance, end of year	\$ 115,273	\$ 203,510	\$ 318,783	\$ 180,715

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
Cash provided by (used for):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 138,068	\$ (59,128)
Amortization, which does not involve cash	37,442	44,871
Change in non-cash working capital:		
Amounts receivable — government	181,408	(58,027)
Amounts receivable — other	(75,625)	12,677
Prepaid expenses	2,017	47,788
Inventory	(12,033)	—
Accounts payable and accrued liabilities	72,829	(122,273)
Deferred membership revenue	20,758	2,326
Deferred government contributions	(215,443)	(40,426)
Due to DIAND	—	102,416
Due to Health Canada	—	249,610
	149,421	179,834
Investments:		
Additions to capital assets	(13,288)	(38,940)
Increase in cash and cash equivalents	136,133	140,894
Cash and cash equivalents, beginning of year	425,840	284,946
Cash and cash equivalents, end of year	\$ 561,973	\$ 425,840

The Association considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

Year ended March 31, 2004

1. Purpose of the organization:

Aboriginal Financial Officers Association of Canada ("the Association" or "AFOA – Canada") is committed to excellence in expanding financial management capacity for aboriginal organizations in Canada, and is providing leadership by developing and promoting quality standards, practices, research, certification and professional development. The Association was incorporated without share capital on June 30, 1999 by letters patent under the Canada Corporations Act.

The Association is exempt from income taxes under Section 149 of the Income Tax Act.

2. Significant accounting policies:

(a) Revenue recognition:

(i) Government contributions:

The Association's operations are primarily funded by contributions from various government departments. The accounting for contributions is based on the deferral method. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

(ii) Membership fees:

Membership fees for continuing members cover a calendar year basis. Fees are recognized in equal amounts over a twelve month period as the Association renders membership services.

(b) Inventory:

Inventory is stated at the lower of cost and net realizable value.

(c) Capital assets:

Capital assets are stated at cost. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Computer hardware, software and licenses	Declining balance	25%
Office equipment	Declining balance	20%
Leasehold improvements	Straight-line	4 years

(d) Contributed services:

Volunteer services and certain corporate contributions in kind contributed to the Association are not recognized in these financial statements due to the difficulty in determining their value.

(e) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 period. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary they are recorded in the financial statements in the period in which they become known.

3. Amounts receivable — government:

Amounts receivable — government is comprised of amounts owing from Department of Indian Affairs and Northern Development (DIAND) and Health Canada:

	2004	2003
DIAND:		
Amendment #1	\$ 12,332	\$ —
Amendment #2	11,340	—
Holdback re core funding (2002/2003)	5,485	5,485
Holdback re core funding (2003/2004)	5,420	—
Special KSI funding re 2002	—	15,000
Second amendment (2002/2003)	—	155,500
Third amendment (2002/2003)	—	65,000
	34,577	240,985
Health Canada — E-Health Internship program	25,000	—
	\$ 59,577	\$ 240,985

4. Capital Assets

			2004	2003
	Cost	Accumulated amortization	Net Book value	Net Book value
Computer hardware, software and licenses	\$ 196,211	\$ 116,925	\$ 79,286	\$ 105,285
Office equipment	58,805	27,167	31,638	26,689
Leasehold improvements	12,417	8,068	4,349	7,453
	\$ 267,433	\$ 152,160	\$ 115,273	\$ 139,427

Cost and accumulated amortization at March 31, 2003 amounted to \$254,145 and \$114,718 respectively.

5. Deferred government contributions:

(a) Department of Indian Affairs and Northern Development (DIAND):

	Opening balance	Amounts received/ receivable	Revenue recognized	Amounts repaid to DIAND	Ending balance
Core funding (2003/2004)	\$ —	\$ 650,000	\$ (650,000)	\$ —	\$ —
Amendment #1					
Communication products	—	35,124	(18,284)	—	16,840
Chapter development	—	88,000	(88,200)	—	—
Amendment #2					
Saskatchewan workshop	—	15,000	(15,000)	—	—
KSI — survey	—	98,400	(50,923)	—	47,477
Flexible transfer payment #2	37,416	—	—	(25,500)	11,916
Flexible transfer payment #3	65,000	—	—	(65,000)	—
	\$ 102,416	\$ 886,724	\$ (822,407)	\$ (90,500)	\$ 76,233

Revenue recognized of \$822,407 includes \$15,000 recorded as workshops/courses revenue on the statement of operations.

(b) Health Canada:

	Opening balance	Amounts received/ receivable	Revenue recognized	Amounts repaid to DIAND	Ending balance
Fiscal 2003 funding in excess of eligible expenditures	\$ 190,013	\$ —	\$ —	\$(190,013)	\$ —
E-Health Interchange project agreement	—	108,600	(107,847)	—	753
E-Health internship program	—	125,000	(125,000)	—	—
	\$ 190,013	\$ 233,600	\$ (232,847)	\$(190,013)	\$ 753

6. Due to Department of Indian Affairs and Northern Development (DIAND):

The balance comprises the following:

	2004	2003
Non-qualifying expenditures in fiscal 2001	\$ 25,000	\$ 25,000
Non-qualifying expenditures in fiscal 2002	\$ 57,888	\$ 57,888
Due to DIAND	\$ 82,888	\$ 82,888

7. Due to Health Canada

The balance comprises the following:

	2004	2003
Non-qualifying expenditures in fiscal 2001	\$ 36,225	\$ 36,225
Non-qualifying expenditures in fiscal 2002	\$ 59,597	\$ 59,597
Due to Health Canada	\$ 95,822	\$ 95,822

8. Commitments:

Pursuant to a sublease for office space, the Association is required to pay a minimum annual sublease amount of \$63,361 to June 30, 2005. In addition, an office equipment lease requires an annual payment of \$7,200, ending October 2006.

9. Contingencies

(a) Prior year fraudulent activity:

During the year, the Association initiated civil and criminal litigation against a former senior officer of the Association for fraud. The Association is claiming a cost recovery of \$217,000, damages of \$50,000, legal costs, interest and additional indemnity. The identified loss affected the following fiscal years:

2001	\$ 25,000
2002	94,113
2003	93,150

The identified fraudulent transactions do not qualify as eligible for government funding and correspondingly the affected fiscal years were adjusted in the prior year's audited financial statements.

The amount of restitution from the accused will be recorded in the year that the amount is received. Management cannot estimate the amount that is likely to be received at this time.

Insurance proceeds of \$50,000 were received in the year and have been recognized as revenue in the financial statements. The Association incurred \$37,371 in legal fees related to this contingency.

(b) Government contributions:

Government contributions related to the projects of the Association are subject to conditions regarding the expenditure of the funds. The Association's accounting records, as well as those of agencies delegated to execute the projects, are subject to audit by various funding agencies. Should any instances be identified in which the amounts charged to projects are not in accordance with the agreed terms and conditions, amounts would be refundable to the respective funding agencies.

Adjustments to the financial statements as a result of these audits will be recorded in the period in which they become known.

10. Change in accounting policy:

In the year, the Association changed its accounting policy with respect to its inventory, which consists of mugs, clothing and other items that are sold to members. In the prior year, these amounts were expensed when purchased. In the current year, the Association recorded its inventory as an asset at the lower of cost and net realizable value. This change in accounting policy has been applied on a prospective basis because the carrying value of inventory item held at March 31, 2003 is not determinable.

11. Fair value of financial instruments:

The carrying value of cash and cash equivalents, amounts receivable, inventory, accounts payable and accrued liabilities, deferred membership revenue, deferred government contributions, due to DIAND and due to Health Canada, approximate their fair value due to their relatively short periods to maturity.

12. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.



Aboriginal Finance Officers Association of Canada



**Aboriginal Finance Officers
Association of Canada**

301-1066 Somerset Avenue West
Ottawa, Ontario, Canada K1Y 4T3

tel. 613.722.5543
toll free. 1.866.722.2362
fax. 613.722.3467
email. afoa@afoa.ca

www.afoa.ca