



First Nations Tax Commission

Commission de la fiscalité des premières nations

**FIRST NATIONS
TAX COMMISSION
2007/2008
ANNUAL REPORT**

June 2008

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The First Nations Tax Commission (FNTC) is the standard bearer for a uniquely Canadian approach for raising the standard of living for First Nation communities. There are three elements to this approach.

First, pass legislation that enables First Nation governments to build the administrative and legal framework necessary to support market economies on their lands. Second, allow these governments to assert these legislative powers at a time of their choosing. Third, create national First Nation institutions that support these governments in the implementation of their powers.

The First Nations Tax Commission began operation on July 1st, 2007 as a result of the *First Nations Fiscal and Statistical Management Act* (FSMA) which was passed on March 23rd, 2005. This legislation also created the First Nations Finance Authority, First Nations Financial Management Board and First Nations Statistical Institute. There are no other similar national institutions intended to support First Nation governments anywhere else in the world.

This first annual report for the FNTC covers the period of July 1, 2007 to March 31, 2008. The FNTC is the successor institution to the Indian Taxation Advisory Board (ITAB) which operated from February 1989 until June 30th, 2007. Under ITAB, over 100 First Nation governments implemented property tax systems. The assessed values of the investments in these First Nations now total over \$3 billion.

The success of ITAB as the first national indigenous organization devoted to developing First Nation tax systems and improving First Nation economies, proved the value of this model to Canada and First Nation governments. It provided the necessary confidence for all political party support of the FSMA in 2005.


The FNTC is a First Nation shared governance institution governed by a Chief Commissioner, a Deputy Chief Commissioner and 8 Commissioners. One Commissioner is appointed by the Native Law Centre and the remaining commissioners are Governor-in-Council appointments.

The mandate of the FNTC is to promote, support and regulate First Nation property tax and local revenue regimes. First Nations wishing to collect property tax and local revenues have two options to exercise their authority: s. 83 of the *Indian Act* or the *First Nations Fiscal and Statistical Management Act*.

The FNTC provides accredited training, software and advisory services to both s. 83 and FSMA First Nations. It develops sample laws and by-laws for First Nation property taxation, assessment, expenditures and tax rates. For FSMA First Nations, it will create sample laws for development cost charges, taxation of business activities, provision of local services and to facilitate debenture financing. For s. 83 First Nations, it created sample business-licensing, local improvement and financial management by-laws.

For FSMA First Nations, the FNTC has developed law review standards for all First Nation laws and will then review these laws when they are submitted. Under the FSMA, the FNTC has the power to approve these laws. The FNTC is the first national indigenous institution in the world with this power.

*The FNTC
is a
First Nation
shared
governance
institution*



For s. 83 by-laws, the FNTC will continue ITAB's role to provide advice to the Minister of Indian and Northern Affairs Canada (INAC). The policies the FNTC uses to provide advice to the Minister for s.83 by-laws are not unlike the FSMA law review standards. Of course, the main differences between s. 83 and the FSMA are the fact that the Minister has the power to approve s. 83 by-laws, and that First Nations do not have as many express revenue raising powers using the *Indian Act*.

Among the highlights of its first period of operation, the FNTC developed and approved 5 sample laws and 5 law review standards. It established and staffed its offices in Kamloops and Ottawa. It created an accredited certificate in First Nation Tax Administration with the Tulo Centre of Indigenous Economics and Thompson Rivers University. It provided advice on over 100 s. 83 by-laws to the Minister.

The FNTC is also about creating the legal and administrative framework necessary for markets to work on First Nation lands, creating a competitive First Nation investment climate, and using economic growth as the catalyst for greater First Nation self reliance.

The FNTC worked on expanding First Nation local revenue options to include the First Nation Goods and Services Tax. The FNTC worked to ensure that First Nations have access to all sources of economic infrastructure financing. The FNTC managed a research initiative to develop improved First Nation land title certainty. The FNTC promoted open market housing so that wealth creating home equity exists on reserves.

In its second year of operation, the FNTC will focus on helping First Nations implement their FSMA tax systems. It will review a number of FSMA laws. It will work with the First Nations Finance Authority and First Nations Financial Management Board to allow First Nations to access long term finance to develop infrastructure. It will continue to address the barriers that are preventing First Nations from fully participating in the market economy such as uncertain land tenure, insufficient revenue options and uncompetitive infrastructure.

*the FNTC
will focus
on helping
First Nations
implement
their FSMA
tax systems*

MESSAGE FROM THE CHIEF COMMISSIONER AND CEO



It is my honour and privilege to serve as the first Chief Commissioner of the First Nations Tax Commission. I am proud to present our first annual report to Parliament to First Nations and their taxpayer.

I believe the work we do to support the growth of First Nation economies and their tax bases will one day lead to greater First Nation government self sufficiency. It is in the interest of First Nations and all Canadians for us to be equal partners in this federation and equal participants in the Canadian and global economy.

Our first nine months have been about transition from the Indian Taxation Advisory Board to the First Nations Tax Commission. Our new responsibilities required that we expand our capacity, and hire new staff. We developed accountability, evaluation security, human resource and management systems in keeping with legislative and Treasury Board requirements.

We continued to deliver services to First Nations operating under s. 83 of the Indian Act while helping interested First Nations transition into the First Nations Fiscal and Statistical Management Act. We knew this would be a considerable challenge.

Nine months ago, we set out an ambitious plan to develop a number of FSMA sample laws, regulations and law review standards. We planned to publish all these sample laws and standards in the First Nations Gazette. We planned to develop an accredited certificate program in First Nation tax administration and begin delivering courses. We planned to establish a dispute resolution system and hold a national meeting for First Nations who wanted to join the FSMA.

We also planned to move forward with special initiatives relating to land title certainty, the First Nation Goods and Services Tax, economic infrastructure financing and market based housing. I am pleased that we have accomplished all we have set out to do. Our achievements in 2007-2008 are set out in this report. Our plans for year 2 are to make history. By signing a First Nation law into force we are the first national institution in Canada to take over the law approval authority of the Minister of Indian Affairs. This gradual dismantling of the Indian Act and the Department of Indian Affairs is something that should make all of Canada proud and will provide a model for other countries.

We expected 15 First Nations to join the FSMA in our first 2 years of operation. There are now 33 on the schedule of the FSMA with another 11 waiting to be added on the next schedule.

We have opened the door so that a number of students can register in our accredited certificate programs for First Nation tax administration and applied economics. We hope that our work on land title certainty, First Nation GST, infrastructure financing and open market housing leads to more changes that deliver results for First Nations.

Together with First Nations Financial Management Board and First Nations Finance Authority we hope to see the first debenture in the world backed by the collective revenues of First Nation governments being issued in 2009.

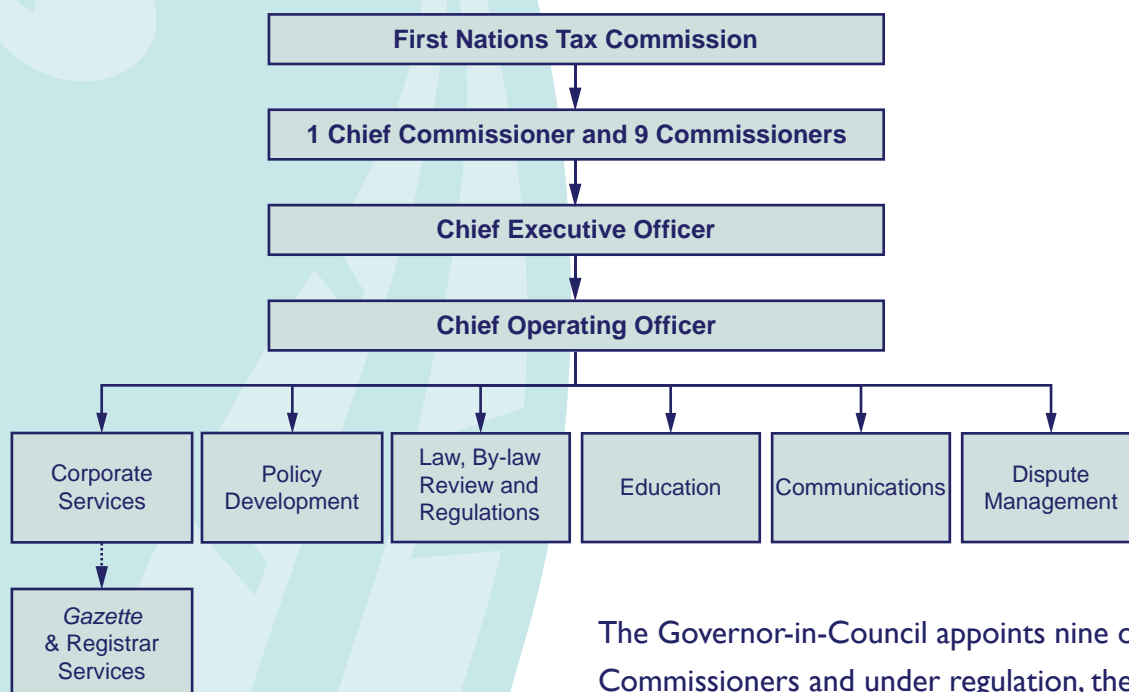
I trust this report is satisfactory.

*C.T. (Manny) Jules
Chief Commissioner*

*We have
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GOVERNANCE

The FNTC carries out its functions and services in an open, transparent and accountable manner in keeping with the requirements of both the FSMA and the expectations of First Nations and their taxpayers.



The Governor-in-Council appoints nine of the Commissioners and under regulation, the Native Law Centre of Canada, at the University of Saskatchewan, appoints one commissioner. The commissioners are:

- C.T. (Manny) Jules , Kamloops, BC (Chief Commissioner & CEO)
- David Paul, Tobique, NB, (Deputy Chief Commissioner)
- Dr. Céline Auclair, Gatineau, QC
- Leslie Brochu, Kamloops, BC (Residential Property Taxpayer Representation)
- Lester Lafond, Saskatoon, SK
- Ken Marsh, Okotoks, AB, (Utility Property Taxpayer Representation)
- William McCue, Georgina Island, ON
- Terry Nicholas, Windermere, BC
- Randy Price, North Vancouver BC, (Commercial Property Taxpayer Representation)
- Ann Shaw, Chateauguay, QC



The Commissioners of the FNTC apply their expertise to uphold best practices in governance and protect the public interest. During its first period of operation, the FNTC approved rules for its governance. It developed a comprehensive management policy to address a number of topics including:


- Conflict of Interest
- Procedures for Meetings
- Committees
- Human Resources
- Financial Management
- Purchasing
- Travel

The FNTC has an executive management committee comprised of the Chief Commissioner (who is also the Chief Executive Officer (CEO) of the Commission), the Deputy Chief Commissioner, and the Chief Operating Officer. The executive management committee is chaired by the Chief Commissioner. The committee makes recommendations to the CEO on the activities of organizing human, financial, and other resources to fulfill planned goals and functions. The committee also provides the CEO with advice on the development of operational, and strategic planning, planning evaluation approaches and systems.

THE FIRST NATION TAX COMMISSION

**BACK ROW, LEFT TO RIGHT -
RANDY PRICE, KEN MARSH, BILL M^CCUE,
DAVID PAUL, LESTER LAFOND.**

**FRONT ROW, LEFT TO RIGHT -
TERRY NICHOLAS, ANN SHAW,
MANNY JULES, LESLIE BROCHU,
CELINE AUCLAIR,**



The FNTC has established an audit committee. The audit committee is responsible for assisting the Commissioners in fulfilling their legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control, and financially related legislative compliance requirements of the FNTC. The audit committee members are Bill McCue (Chair), Leslie Brochu, and Randy Price.

The FNTC has a *First Nations Gazette* editorial committee. This committee is responsible for developing policies and standards to more effectively manage the timely publication of First Nation laws and FNTC standards and procedures. It is chaired by Lester Lafond.

To facilitate the timely review of annual s. 83 by-laws to advise the Minister of Indian Affairs, the FNTC has established a s. 83 rates committee. The committee members are David Paul (Chair), Ken Marsh, Lester Lafond, and Ann Shaw.

Commissioner Terry Nicholas is responsible for maintaining a strong relationship between the FNTC and the Tulo Centre of Indigenous Economics and the First Nation Tax Administrator's Association (FNTAA).

The work of the FNTC with respect to implementing indigenous taxation powers and creating land title certainty on indigenous lands has attracted interest from other countries. Commissioner Celine Auclair and the Chief Commissioner are responsible for coordinating international activities involving the FNTC.

2007-2008 PERFORMANCE AGAINST OBJECTIVES

The table below compares the 2007/2008 corporate plan objectives to the performance of the FNTC in 2007/2008 in each of its business lines.

Table 1: Performance against objectives

BUSINESS LINE	OBJECTIVE	PERFORMANCE AGAINST OBJECTIVE
Corporate Services	Operate FNTC in keeping with the FSMA and the Corporate Plan to create an effective work environment and manage First Nations Gazette	<ul style="list-style-type: none"> • Corporate plan, work plan completed February 2008 • 4 New staff hired by March 2008 and training is ongoing • Implemented capital plans January 2008 • Implemented reporting evaluation system February 2008 • Security clearances completed by March 2008 • Human resource and benefits plan completed by March 2008 • 4 FNTC meetings held by March 2008 • 2 orientation sessions completed by December 2007 • Work is underway to seek resources for special projects • Sample laws in Gazette completed March 2008
Policy Development	Develop and implement effective policies and standards that support sound administrative practices and increase First Nation, taxpayer, and investor confidence	<ul style="list-style-type: none"> • Completed 5 law review standards by March 2008 • Completed development of business and borrowing laws policy February 2008 • Development of 5 policies is ongoing • 4 projects with other institutions is ongoing
By-law/Law Review and Regulations	Ensure integrity of First Nation local revenue system and promote common approach nationwide	<ul style="list-style-type: none"> • 5 sample laws developed by March 2008 • 3 First Nations converted for FSMA – Completed March 2008 • 7 regulations completed by January 2008 • S. 33 complaints process completed by December 2007
Education	Promote understanding of local revenue system, develop training programs for administrators, and build capacity	<ul style="list-style-type: none"> • 3 courses accredited by January 2008 • 4 courses delivered by March 2008 • Education model report completed October 2007
Communications	Promote understanding of local revenue system	<ul style="list-style-type: none"> • National tax meeting held in October 2007 • Update/redesign website completed by February 2008 • 46 Presentations made • Official Languages Act compliance is ongoing
Dispute Management	Prevent or provide for the timely resolution of disputes in relation to the application of local revenue laws	<ul style="list-style-type: none"> • Roster of mediators completed by March 2008 • Training materials for mediators completed by March 2008 • Respond to 2 active requests for facilitation

Corporate Services Highlights

Corporate Services operates the FNTC in keeping with the FSMA and the Corporate Plan, in order to create an effective work environment for the other business line areas. Corporate Services is also responsible for the operation of the *First Nations Gazette*.

As a result of a building closure, it was necessary to relocate the Ottawa office by March 2008. An alternative location was found and renovations were completed by February. The Ottawa staff moved into its new location in March 2008.

In 2007-2008, the FNTC began a three year project to create an integrated information management system and intra net site to support the commission and its law registry, records management, communications, and education and performance evaluation requirements. The specifications for the law registry, performance evaluation and records management functions were completed this year and should be implemented in 2008-2009. Information management specifications for the education and communications functions will be completed this fiscal year for implementation in the following fiscal year.

Special Initiatives

The FNTC is committed to addressing the legal and administrative gaps contributing to market failure on First Nation lands. As a result, the FNTC undertook a number of special initiatives in 2007-2008 relating to expanding First Nation revenues, creating land title certainty, building home equity for First Nation citizens through open market housing and ensuring competitive economic infrastructure financing through the First Nation Infrastructure Fund.

The Commission met 4 times in 2007-2008 to review and approve the FNTC corporate governance policies and procedures, a number of law review and other standards and sample laws. The Commission is seen here at its first orientation session at Quaaout Lodge on the Little Shuswap First Nation. Another orientation session was held in Ontario in December.

Since 1997, more than 500 First Nation by-laws have been published in the *First Nations Gazette*. In 2007-2008, the First Nation Gazette published First Nation laws and by-laws and FNTC law review standards and sample laws.

FIRST NATIONS GAZETTE



A Comprehensive Source of Aboriginal Law

Published semi-annually, the First Nations Gazette provides widespread notice of Aboriginal law. While the main focus is on property tax laws, pursuant to section 83 of the *Indian Act*, other laws will ultimately be published.

A Record of First Nation Legislation

The Gazette is an indispensable tool for Aboriginal peoples, federal, provincial, territorial, municipal and First Nation governments, lawyers, businesses, or anyone involved with or affected by First Nation taxation initiatives.

Toward Self-Government

Publishing these laws is an important step toward Aboriginal self-government. The Gazette furthers both public and First Nation acceptance of Indian taxation initiatives, and assists First Nations with enforcement of tax laws by ensuring regular notice is provided and that a register of all current by-laws is widely available.

Making First Nation Legislation Accessible

The Gazette also meets the significant growth in demand for notice of and access to

First Nation laws. This information is important to First Nation citizens, non-First Nation residents living on reserve lands, electors, legal practitioners, and those with commercial and other interests in reserve land.

The First Nation Gazette is published as a joint partnership between the First Nations Tax Commission and the Native Law Centre at the University of Saskatchewan.

How to Order

- Annual subscriptions are \$72 (Canadian funds) plus GST, where applicable.
- Payment can be made by cheque, money order (made payable to the "First Nations Gazette") or VISA.

Order by:

Mail: First Nations Gazette
Native Law Centre
University of Saskatchewan
101 Diefenbaker Place
Saskatoon, SK S7N 5B8
Telephone: (306) 966-6189
Fax: (306) 966-6207
Email: native.law@usask.ca

Policy Development Highlights

Policy Development develops and implements effective policies and standards that support sound administrative practices and increase First Nation, taxpayer, and investor confidence in the First Nation local revenue system. The FNTC has an open, transparent and inclusive process policies for developing its standards which provides a number of opportunities for public input.



FNTC policies and services have to be coordinated with other First Nation institutions. In addition to taxation, First Nations interested in effective markets on their lands need support relating to financial, land, information management, and governance issues. The FNTC works closely with the First Nations Financial Management Board (FMB) and the First Nations Finance Authority (FNFA) to develop a coordinated approach that provides First Nations access to infrastructure financing through long term debentures. In 2007-2008 the FNTC initiated three projects related to borrowing and financial management with the FMB and FNFA.

**SQUAMISH NATION
HONOURING THE WORK OF
THE INSTITUTIONS**

Our Policy Objective

A primary objective of FNTC policies and standards is to address the barriers to economic development on First Nation lands. A number of First Nations would like to facilitate more private investment on their lands. They are constrained from doing this because the transaction costs from proposal to construction on their lands are four to six times higher than on non-First Nation lands. The fiscal, economic, and political costs of this market failure on First Nation lands are large and growing. Unless this market failure is corrected, First Nation poverty will continue to impose increasing costs on the Canadian taxpayer and adversely impact Canadian productivity.

The FNTC developed, reviewed and approved law review standards for FSMA property tax, assessment, tax rates and expenditure laws in 2007-2008. As part of its public input process the FNTC presented draft law review standards to the First Nations Tax Administrators Association in September 2007.

In 2007-2008 - the FNTC held FSMA law development workshops for First Nations in New Brunswick, Nova Scotia, Quebec, Ontario, Manitoba, Saskatchewan, Alberta and BC. The FNTC has an FSMA law development support program to help interested First Nations develop their FSMA legal framework.

FNTC POLICY DIALOGUE



Law Review Highlights

The FNTC uses its law review service to protect the integrity of the First Nations real property taxation system and promote a common approach to First Nations real property taxation nationwide. The FNTC is also aware that First Nation laws must have regard to variations in provincial real property taxation systems. The FNTC accomplishes this by providing support, such as sample laws, to First Nations in the law development process.

The FNTC is committed to the model of providing sample laws to First Nations. These sample laws promote a standardized First Nation local revenue system and save First Nations resources. In 2007-2008, the FNTC developed sample assessment, property tax, tax rates, and expenditure laws.

*The FNTC
is committed
to the model
of providing
sample
laws to
First Nations*

Legislating Our Way Back into the Canadian Economy

During the last 20 years, First Nations have begun to legislate their way back into the Canadian economy. It started in 1988 with the first ever change to the Indian Act led by a First Nation – the “Kamloops Amendment”. This amendment enabled First Nations to collect property tax on their lands and created the original First Nation institution dedicated to this strategy - the Indian Taxation Advisory Board. Once First Nation governments derived revenues from economic activity, they began to pursue more economic activity on their lands. The FSMA begins to fill some of the outstanding legal and administrative gaps and infrastructure financing deficiencies inherent in the Act. The FNTC will continue to work with Canada on filling the remaining legislative gaps so that First Nations can compete for investment in their communities both nationally and globally.

The FNTC encourages First Nations to take advantage of the expanded revenue raising powers and enhanced investment climate associated with the FSMA. The FNTC provides support to First Nations to convert their s. 83 of the *Indian Act* bylaws to FSMA laws. The first community to complete this process was the Songhees First Nations. There are 33 First Nations on the FSMA schedule and currently 11 more who have declared their choice to be added to the next schedule.

SONGHEES FIRST NATIONS PASSES FIRST FSMA LAW



FNTC'S MANNY JULES SIGNING SONGHEES LAW



Regulations

A number of regulations were required before First Nations could use the FSMA. The FNTC worked with Canada to develop regulations for FNTC review procedures, local revenue law review, enforcement, assessment appeals, assessment inspection, tax rate and expenditure law timing and CPR tax rates.

Education

The FNTC develops training programs for First Nation real property tax administrators that build capacity in First Nations to administer their taxation systems. In 2007-2008, the FNTC formed a partnership with Thompson Rivers University to create the Tulo Centre of Indigenous Economics and develop and deliver accredited certificate programs in First Nation applied economics and First Nation tax administration.



**Tulo Centre
of
Indigenous
Economics**

The Market Niche

The First Nation Applied Economics Certificate was accredited in early 2008. This represents the first university program of its kind in Canada dedicated to facilitating investment on First Nation lands.

**MOU SIGNING –
TULO'S MIKE LE BOURDIAS AND
THOMPSON RIVERS UNIVERSITY'S
RON OLINYK**





TULO DELIVERING THE FIRST COURSE IN MARCH 2008 AT TRU

First Nations interested in pursuing a market orientated strategy must be able to implement the necessary legal and administrative structure within their communities. With the aim of sharing the necessary administrative knowledge, skills, and practices, the FNTC formed a partnership with the Thompson Rivers University to establish the Tulo Centre of Indigenous Economics. The above picture was taken at the signing of the FNTC-TRU MOU in September 2007.

THE FNTC WEB SITE



First Nations Tax Commission
Commission de la fiscalité des premières nations

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Sample BCR
Sample Laws
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Taxing under S. 83 of the Indian Act
FAQ
First Nations with S. 83 By-laws
Sample By-laws
Policies



Welcome to the website of the First Nations Tax Commission (FNTC).

On July 1st, 2007, the First Nations Tax Commission officially began operations. The ten-member FNTC was established through the passage of the *First Nations Fiscal and Statistical Management Act*. It is the successor institution to the Indian Taxation Advisory Board, building on the Board's 18 years of experience and expertise.

The FNTC is a major step forward for First Nation governments in the field of property taxation. Our mission is to help First Nation governments build and maintain fair and efficient First Nation property tax regimes, and to ensure those First Nation communities, and their taxpayers alike, receive the maximum benefit from those systems.

The FNTC operates in the larger context of First Nation issues. The Commission will help reduce the barriers to economic development on First Nation lands, increase investor certainty, and enable First Nations to be part of their regional economies. The FNTC will also fill the institutional vacuum that has prevented First Nations from participating in the market economy, and will create a national regulatory framework for First Nation tax systems that meets or exceeds provincial standards.

I invite you to explore our website to learn more about the FNTC and the many benefits of real property taxation. If you have any questions or comments, contact us at mail@fntc.ca.

C.T. (Manny) Jules
Chief Commissioner
First Nations Tax Commission

Communications Highlights

The FNTC actively promotes understanding of the First Nation local revenue system to First Nations, taxpayers and the public. It does this through the *Clearing the Path* newsletter, presentations, brochures, guides and its website.

www.fntc.ca

In 2007-2008, the FNTC website was updated to accommodate the transition from the ITAB to the FNTC. Now this is the first place to look for all things FNTC. It provides users with access to all the FNTC standards, sample laws, training information, corporate plans, back issues of *Clearing the Path* and of course this annual report. An archive of a number of ITAB publications and research is also available on the site.

National Tax Meeting

In October 2007, the FNTC hosted a national meeting of FSMA First Nations. The meeting provided an opportunity for First Nations to discuss how they hope to use the FSMA to develop their lands and for the FNTC to provide an overview of the law conversion process.

NATIONAL TAX MEETING





Dispute Management Highlights

The FNTC seeks to prevent or provide for the timely resolution of disputes in relation to the application of local revenue laws. It accomplishes this by providing a continuum of dispute resolution services ranging from training to voluntary facilitation to mediation if requested.

To enhance its dispute resolution services, the FNTC created a roster of mediators in 2007-2008. This roster is available to First Nations and other parties upon request. The FNTC also developed training materials and guidelines to assist these mediators. Seen here, Bill Tillman, former chair of the Alberta Utilities Commission, is providing training to the FNTC on formal complaint procedures.

Resolving Disputes

In 2007-2008 the FNTC responded to a number of requests for facilitation including the Sumas First Nation (BC) relating to billboards, the Kwantlen First Nation (BC) relating to a service agreement with the District of Maple Ridge and to treaty First Nations in BC relating to the regulatory process required for them to become part of the FSMA.

Dispute Management Experience

The FNTC inherited ITAB's strong dispute management system. Over the years, ITAB helped resolve 18 disputes related to service agreements between First Nations and municipalities. It facilitated the orderly transition of property taxation in BC and Quebec through discussions with provincial governments to provide supporting legislation in those provinces. It helped resolve a long-standing dispute with CPR through the creation of a federal regulation and it facilitated agreements with utility companies in BC and Ontario.

Because of demographic, fiscal and economic pressures, First Nations need to accelerate the development of their economies and revenue options. The FNTC recognizes this and will focus on four broad areas in 2008-2009.

1. Implementing the FSMA –The primary focus of the FNTC will be supporting First Nations on the FSMA schedule to develop their new taxation laws or convert their existing s.83 *Indian Act* by-laws so that they can benefit from the FSMA and in particular, increase investor certainty and access the same infrastructure financing tools as other governments.
2. Institutional Partnerships –The FNTC will continue to build strategic working relationships with the First Nations Financial Management Board (FMB), First Nations Statistical Institute (FNSI), the First Nations Finance Authority (FNFA), the Lands Advisory Board (LAB), and the National Centre for First Nations Governance. It is important for the services and model laws and systems from each of these institutions to be coordinated in a manner that helps interested First Nations facilitate investment on their lands.
3. Special Initiatives – The FNTC will continue to work towards establishing First Nation land title certainty, real home equity on reserves, expanded revenue options through the First Nation GST and access to all available sources of financing for First Nation economic infrastructure (through the First Nation Infrastructure Fund).

4. Transferring Knowledge – The FNTC will work with the Tulo Centre of Indigenous Economics and Thompson Rivers University (TRU) to expand its certificate programs in First Nation Applied Economics, and First Nation Public Administration (Taxation). In 2008-2009, particular attention will focus on developing distance learning curriculum for these certificate programs.

1.
*Implementing
the FSMA*

2.
*Institutional
Partnerships*

3.
*Special
Initiatives*

4.
*Transferring
Knowledge*

FIRST NATIONS TAX COMMISSION

FINANCIAL STATEMENTS

For the period from inception, July 1, 2007 to March 31, 2008

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the First Nations Tax Commission are the responsibility of management and have been presented to the Commission for its acceptance.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly in all material respects.

The First Nations Tax Commission maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Commission's assets are appropriately accounted for and adequately safeguarded.

The financial statements have been audited by BDO Dunwoody LLP in accordance with Canadian generally accepted auditing standards on behalf of the Commission. BDO Dunwoody LLP has full access to the Commission.

“Clarence T. Jules”

Chief Commissioner

“William McCue”

Commissioner

AUDITORS' REPORT

To the Commissioners of First Nations Tax Commission

We have audited the statement of financial position of First Nations Tax Commission as at March 31, 2008 and the statements of changes in net assets, operations and cash flows for the period from inception, July 1, 2007 to March 31, 2008. These financial statements are the responsibility of the Commission'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 Commission as at March 31, 2008 and the results of its operations and its cash flows for the period of inception, July 1, 2007 to March 31, 2008 are in accordance with Canadian generally accepted accounting principles.

"BDO Dunwoody LLP"

Chartered Accountants

Kamloops, British Columbia

June 5, 2008

Statement of Financial Position

As at March 31 2008

Financial Assets

Cash (Note 2)	\$	1,247,291
Accounts receivable (Note 3)		556,771
		1,804,062

Liabilities

Accounts payable	\$	812,876
Contracts payable (Note 5)		1,003,527
		1,816,403

Net Debt

(12,341)

Non-Financial Assets

Prepaid expenses		12,502
Capital assets (Note 4)		597,029
		609,531

Net Position

\$ 597,190

Surpluses and Equity

Equity in capital assets		597,029
Unrestricted surplus		161

Net Position

597,190

Approved on behalf of the Commission:

“Clarence T. Jules”

Chief Commissioner

“William McCue”

Commissioner

Statement of Changes in Net Assets

March 31, 2008

For the period from inception, July 1, 2007 to March 31 2008

	Invested in Capital Assets	Unrestricted Net Surplus	2008 Total
Balance, beginning of year	\$ -	\$ -	\$ -
Excess of revenue over expenditures for the year	-	161	161
Investment in capital assets	751,456	-	751,456
Amortization	(154,427)	-	(154,427)
Balance, end of year	\$ 597,029	\$ 161	\$ 597,190

Statement of Operations

March 31, 2008

For the period from inception, July 1, 2007 to March 31 2008

Revenue

Corporate Plan (Schedule 1)	\$ 5,025,387
First Nations Land Title (Schedule 2)	249,250
Own Source Revenue Policy Issues Paper (Schedule 3)	64,878
	5,339,515

Expenses

Corporate Plan (Schedule 1)	5,025,226
First Nations Land Title (Schedule 2)	249,250
Own Source Revenue Policy Issues Paper (Schedule 3)	64,878
	5,339,354

Excess of revenue over expenditures for the year	\$ 161
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Statement of Cash Flows

March 31, 2008

For the period from inception, July 1, 2007 to March 31 2008

Operating activities

Cash receipts from various sources	\$ 4,700,847
Cash paid to employees and suppliers	(3,535,454)
Cash transferred in upon inception	755,129

Cash flows from operating activities 1,920,522

Investing activities

Purchase of capital assets	(673,231)
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Net increase in cash, being cash, end of year \$ 1,247,291

Significant non-cash transactions

Operating activities

Working capital assumed on inception	
Accounts receivable	244,475
Prepays	1,980
Accounts payable	(1,001,584)

Investing activities

Capital additions from non-cash transactions (Note 4)	\$ 78,225
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Summary of Significant Accounting Policies

March 31, 2008

Accounting Principles

The First Nations Tax Commission prepares its financial statements in accordance with Canadian generally accepted accounting principles for public sector entities.

Revenue

The Commission follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized if the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital Assets

Capital assets are recorded as an expenditure in the year of purchase. When a capital asset no longer has any long-term service potential to the Commission, it is written down to its residual value, if any. The acquisition costs of capital assets and payments on capital debt, which are not funded from capital financing sources are recorded as contributions from the applicable surplus to equity in capital assets.

Proceeds on disposal of capital assets are recorded as revenue in the appropriate program. Proceeds are also recorded as reductions in the capital asset account and the related equity in capital asset account.

Amortization is recorded against the Investment in Capital Assets and is provided using the straight line method at the following annual rates, which approximates the useful life of the assets:

Asset	Rate
Equipment	3 years
Leasehold improvements	5 years

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make assumptions and estimates that have an effect on the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management’s best estimates as additional information becomes available in the future.

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otes to Financial Statements

March 31, 2008

1. Nature of Operations

The First Nations Tax Commission ("Commission") is a national organization operating programs, performing research and analysis concerning the potential generation of significant and sustainable taxation revenues of First Nations. The Commission was created through passage of the *First Nations Fiscal and Statistical Management Act*.

2. Cash

Cash is held in one Canadian Chartered Bank and earns interest at the current prevailing rate for business operating accounts. Canada Deposit Insurance Corporation ("CDIC") insures these deposits to the extent of \$100,000 per Canadian resident.

3. Accounts Receivable

	2008
Government of Canada	\$ 462,982
GST	88,805
Other	4,984
	\$ 556,771

4. Capital Assets

		2008
	Cost	Accumulated Amortization
Leasehold improvements	\$ 334,367	\$ 50,155
Office equipment	417,089	104,272
	751,456	154,427
Balance, end of year		\$ 597,029

Effective the fiscal year beginning January 1, 2009, entities reporting under the Public Sector Accounting Board are required to account for, and report on, its Tangible Capital Assets per Public Sector Accounting Standard 3150 as set by the Canadian Institute of Chartered Accountants public sector accounting handbook. As of March 31, 2008, the Commission had inventoried and valued all of its tangible capital assets.

Included in the office equipment is \$78,225 in contributed assets resulting from the transfer of assets from the Indian Taxation Advisory Board to the Commission. This amount has been reflected as revenue and the related expense on Schedule I - Corporate Plan.

5. Contracts Payable

The organization has commenced work and committed funds by contract to a number of projects that were in progress at year end.

6. Economic Dependence

The First Nations Tax Commission receives a major portion of its revenue pursuant to a funding arrangement with the Government of Canada. In addition to the Government's base funding of \$4,909,006 contributions provided by the Government and others are necessary for the Commission to undertake specific research and policy development initiatives.

7. Budgets

Budgets have been provided for information purposes only. They have been prepared by management, approved by the Commission and the Government of Canada, and have not been audited.

8. Financial Instruments

As part of the Commission's operations, the Commission holds various financial instruments, consisting of cash, accounts receivable, and accounts payable. The nature of these instruments and the Commission's operations expose the Commission to credit risk. A significant portion of the commission's accounts receivable are from government institutions and, as such, the commission is exposed to all the risks of that industry.

9. Commitments

The Commission entered into an operating lease for its premises in the National Capital Region. The office is leased at \$ 6,944 per month under a lease expiring in January 2013.

The Commission entered into a monthly operating lease for its premises in Kamloops, BC. The office is leased at \$ 4,140 per month.

The Commission entered into two operating leases for its photocopiers. The photocopiers are leased at \$ 1,791 and \$ 1,850 per quarter respectively under leases expiring in October 2010.

On June 1, 2008, the Commission entered into an operating lease for its fiber optics. The fiber optics are leased at \$ 2,330 per month under a lease expiring in May 2013.

The minimum annual lease payments for the next five years are as follows:

2009	\$	97,898
2010		90,615
2011		83,332
2012		83,332
2013		69,443

10. Subsequent Events

On May 23, 2008, the Commission was approved for \$500,000 line of credit. If drawn upon, this credit facility bears interest at prime plus 0.5% and is secured by a general security agreement covering all assets.

11. Statements of Expenditures by Object -

Period from inception, July 1, 2007 to March 31	2008
Operating Goods and Services	\$ 2,991,789
Salaries and Honorarium	1,596,109
Capital Asset Purchases	751,456
	\$ 5,339,354

Schedule 1 - Corporate Plan

March 31, 2008

For the period from inception, July 1, 2007 to March 31	Budget	2008
Revenue		
Government of Canada	\$ 4,909,006	\$ 4,909,006
Capital contributions (Note 4)	-	78,225
Interest and other income	-	38,156
	4,909,006	5,025,387
Expenses		
Commission costs	556,292	574,304
Corporate services	736,498	845,645
Gazette	263,835	265,748
Policy development	787,229	702,455
Education	356,735	344,699
Dispute management	161,918	166,949
Communications	738,724	760,588
Bylaw, law review, and regulations	878,375	899,316
Capital planning and relocation costs	429,400	465,522
	4,909,006	5,025,226
Excess of revenue over expenditures	\$ -	\$ 161

Schedule 2 - First Nations Land Title

March 31, 2008

For the period from inception, July 1, 2007 to March 31	Budget	2008
Revenue		
Government of Canada	\$ 249,250	\$ 249,250
Expenses		
Professional services	106,200	106,200
Travel	37,500	37,500
Consultation	30,300	30,300
Legal services	56,000	56,000
Administration	19,250	19,250
	249,250	249,250
Excess of revenue over expenditures	\$ -	\$ -

Schedule 3 - Own Source Revenue Policy Issues Paper

March 31, 2008

For the period from inception, July 1, 2007 to March 31	Budget	2008
Revenue		
Government of Canada	\$ 64,878	\$ 64,878
Expenses		
Policy environment	7,120	7,120
Proposed First Nation OSR policy	5,420	5,420
First Nation interest and challenges	8,400	8,400
Other OSR options	12,000	12,000
Spreadsheet model development	7,040	7,040
Case study design	5,000	5,000
Report development	14,000	14,000
Administration	5,898	5,898
	64,878	64,878
Excess of revenue over expenditures	\$ -	\$ -