



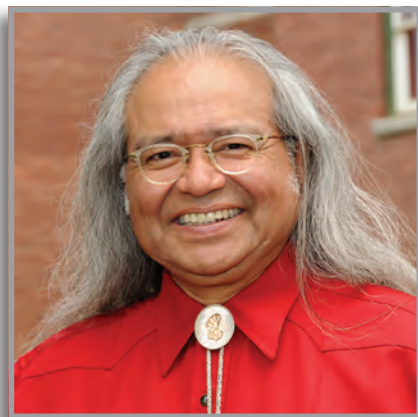
First Nations Tax Commission

Annual Report 2010/2011





Message from the Chief Commissioner



C.T. (Manny) Jules,
Chief Commissioner/CEO

As Chief Commissioner of the First Nations Tax Commission (FNTC) it is my honour to present our fourth annual report to the Minister of Indian and Northern Affairs Canada, to First Nations and to their taxpayers.

In 2010/11 the FNTC continued to serve as the national authority on First Nations' property taxation and as a leading proponent of market led growth on First Nation lands. In so doing, the FNTC served as a unique institution of First Nations governance and retained the confidence of First Nations, First Nation taxpayers and the federal government.

The FNTC received a vote of confidence from First Nations and the tax system continued to experience strong growth. The FNTC responded to hundreds of requests for information and support from First Nations across Canada, which indicates their confidence in the development of property tax jurisdiction and working with the FNTC. We are proud to now work directly with over 150 First Nation governments.

The FNTC has also worked hard to earn the confidence of taxpayers. When we meet with First Nation tax authorities, taxpayers and tax administrators, our message is consistent – taxpayers are investors in our communities and we value their investment. It's apparent that all stakeholders are responding to this message because investment has continued to grow, property values on First Nation lands are rising and investors continue to express significant interest in First Nation projects.

Investment is creating tax revenues which support improved services and infrastructure and create jobs and business opportunities for our people. Investment on our lands is also fostering opportunities throughout the regions where it happens with the result that First Nations with tax authority are becoming increasingly more important players in their respective regional economies. These successes have given us all an important lesson – First Nations business is good for everyone.





Message from the Chief Commissioner

The need to create a sound investment climate seems like a simple and obvious lesson now, however, it's actually where we were as First Nations and as a country one hundred fifty years ago when First Nations were legislated into a trust relationship with the Crown. Our lands were placed in trust, our governments were dissolved and our people became wards of the state and we as individuals were unable to participate in the economy, we often weren't even allowed to leave the reserve without permission.

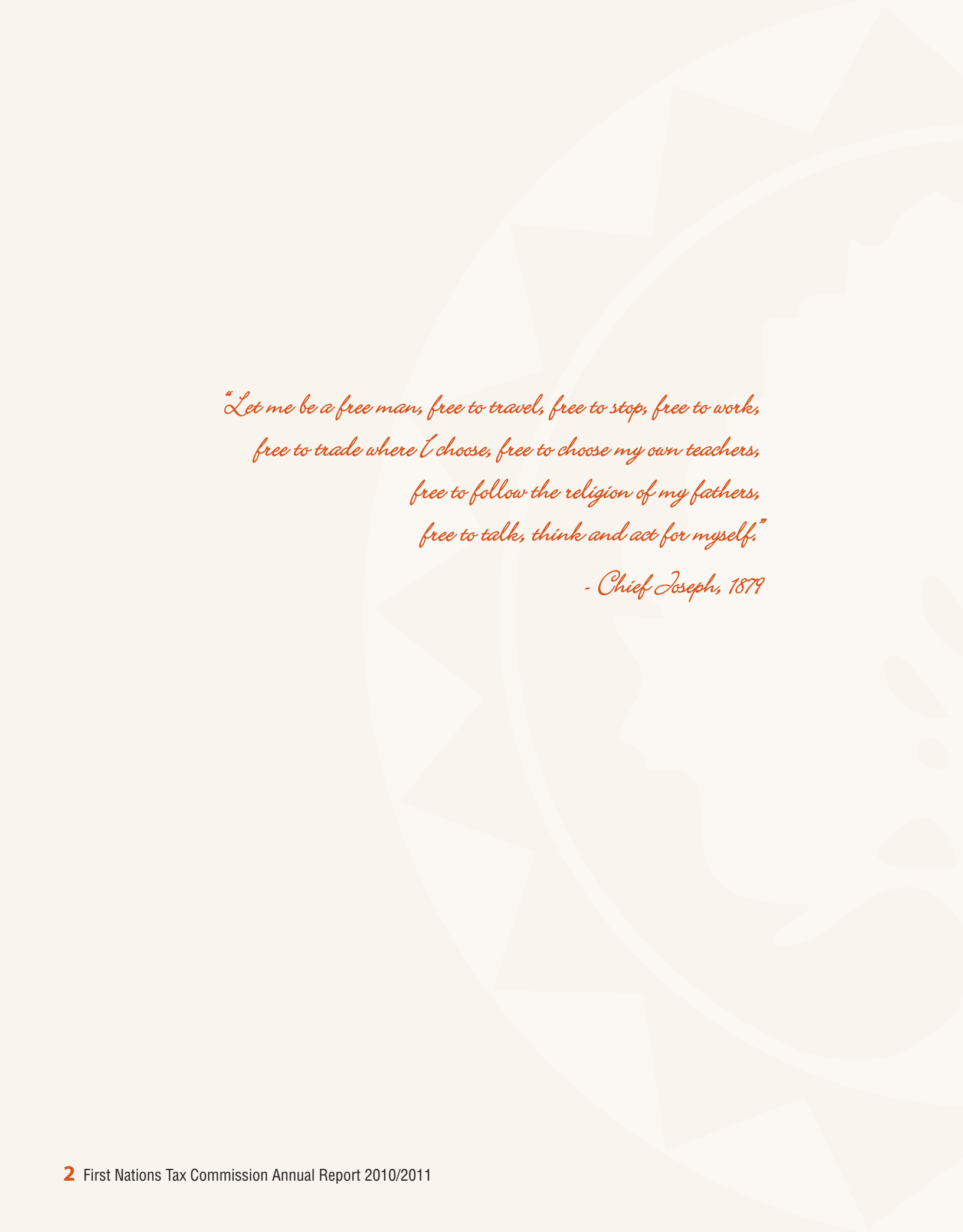
It has been a long road back from then to where we are today. When I was born, First Nations people still didn't have the right to vote in a federal election and it has only been a few years since our tax powers were recognized. We take these things for granted now but they were important milestones in their day.

Each milestone achieved reflects a lot of hard work and strong leadership by people like our First Nation tax authorities and their tax administrators and represents a real evolution of the thinking of both First Nations people and also other Canadians. It is gratifying to see how many Canadians are with us now on the road to the full integration of First Nations back into the Canadian economy both as governments and individuals. As a result of these milestones, more First Nations than ever control the revenues earned from their land and are able to help themselves grow and prosper.

We are now approaching another meaningful milestone; we are taking steps to address First Nations Property Ownership (FNPO). Through proposed legislation we believe FNPO will reverse the dispossession of the *Indian Act* by allowing First Nations to make their own decisions to begin taking real ownership over their lands. We will no longer be subject to decisions made by trustees of our lands but owners in every sense of the word, creating real property rights on reserve so that we can participate more fully in Canada's property and credit markets.

I look forward to the future. In the coming year, work will continue to help First Nations expand and assert their jurisdiction to advance FNPO and FNTC will work to ensure taxpayers receive quality services at a fair price. This year we will have our first graduates of the First Nation Tax Administration Certificate – the first accredited certificate of its kind in Canada. We will continue to work with Canada to support the Federal Framework on Aboriginal Development to help build the legal and administrative framework to support markets on First Nation lands. Each of these efforts supports the ultimate aim of First Nation governments meeting their communities' aspirations for economic development on their lands.

C.T. (Manny) Jules,
Chief Commissioner/CEO



*“Let me be a free man, free to travel, free to stop, free to work,
free to trade where I choose, free to choose my own teachers,
free to follow the religion of my fathers,
free to talk, think and act for myself.”*

- Chief Joseph, 1879



Message from the Chief Commissioner	1
Overview	4
Supporting the Federal Framework for Aboriginal Economic Development	6
Looking Forward 2011/2012	7
Highlights	8
Corporate Profile	14
Mandate	15
Structure	16
Governance	17
Strategic Objectives and Measuring Performance 2010/2011	18
Corporate Services	20
Policy Development/Education	21
Law, By-Law Review and Regulatory Affairs	22
Communications/Dispute Management	23
Financial Statements	24



Overview



Overview

The FNTC continues to promote an agenda of First Nation economic growth that reduces First Nation poverty, creates employment and investment opportunities, and generates First Nation revenues that support improved local services and infrastructure. The FNTC agenda focuses on five areas:

Improve investment climate

The FNTC considers First Nation taxpayers investors in First Nations lands. It works with First Nations and their taxpayers to create investment and regulatory certainty relating to local revenues, local services and dispute prevention or resolution.

Expand revenue options

The FNTC facilitates new local revenue options within a regulatory framework that creates a strong relationship between local revenues and local services. These revenue options ensure that First Nations have the same financing options as other local governments.

Build capacity

The FNTC helps to build First Nation capacity by providing university accredited training in the Certificate of First Nation Tax Administration and the Certificate of First Nations Applied Economics. These two accredited certificates are the first of their kind in Canada.

Clarify property rights

The FNTC is leading a proposal to clarify property rights on First Nation lands so that First Nations own their lands and individuals have the access to equity and capital that other Canadians take for granted.

Transparency and accountability

The FNTC promotes First Nation tax authority transparency and efficiency through the First Nations Gazette and the Tax Administration Software (TAS). The FNTC demonstrates its commitment to accountability by presenting its performance measures in its annual corporate plan and reporting on them in its annual report.

The FNTC shares this First Nation economic agenda with Canada's Federal Framework on Aboriginal Economic Development (FFAED). The FNTC supports the FFAED and Canada's work with interested First Nations to improve their investment climate, expand revenue options, build capacity, and promote good governance. This Annual Report details our progress on this agenda by presenting highlights from the past year corresponding to these five areas. It also contains performance measures for each business line and the audited financial statements for 2010/2011.

Supporting the Federal Framework for Aboriginal Economic Development

The FNTC is well aligned with the objectives and strategies of the Federal Framework for Aboriginal Economic Development (FFAED). The FNTC objective is to help First Nations build a strong investment climate through a regulated tax system and reduce the costs of doing business on First Nation lands. The objective of the FFAED is to remove the barriers to a stronger First Nation investment climate.

The FFAED states that there is a consensus about the barriers to a better climate for private investment on First Nation lands. The FNTC has identified many of the same barriers in its research about the high costs of doing business on First Nation lands. The FNTC shares the vision of the FFAED about how best to reduce these barriers.

The table below lists the FNTC accomplishments in 2010/2011 that help address, in part, six barriers to private investment selected from the FFAED.

Selected Principal Barriers to Aboriginal Economic Development	Supportive FNTC Activity in 2010/2011
1. Aspects of the <i>Indian Act</i> and regulations that impede investment	<ul style="list-style-type: none"> The FNTC helped 3 First Nations move from the <i>Indian Act</i> and enact FSMA local revenue systems
2. Government processes that do not move at the speed of business	<ul style="list-style-type: none"> The FNTC substantially improves and expedites the law approval process 84 FSMA laws approved
3. Deficits in infrastructure	<ul style="list-style-type: none"> Worked with 4 First Nations to create development cost charge laws Worked with 2 First Nations to enact local improvement laws Developed sample laws and standards for taxation of business activities Worked with FMB and FNFA on First Nation borrowing laws
4. Limited access to commercial capital and financing	<ul style="list-style-type: none"> FNTC advanced proposed First Nations Property Ownership Act through a national conference and substantial research
5. Deficits in administrative capacity and systems to facilitate investment	<ul style="list-style-type: none"> 7 courses for First Nations Tax Administration Certificate and First Nation Applied Economic Certificate delivered Tax Administration Software (TAS) updated
6. Insufficient Aboriginal institutional support, including access to expert advice and support for long-term planning	<ul style="list-style-type: none"> 6 sample laws developed and law development support to 110 First Nations 7 law review standards published in First Nations Gazette Training provided to 90 First Nation tax administrators through Tulo

Looking Forward 2011/2012

The FNTC will begin planning and work to undertake six new initiatives in the 2011/2012 year including:

Expand FSMA Revenues

The FNTC will work with First Nations in British Columbia, Saskatchewan, and Alberta to develop and implement business activity tax systems for hotels, business occupancy and well drilling. It will work with up to four First Nations to implement development cost charge laws and systems.

Build a Stronger First Nation Investment Climate

The FNTC will help Canada implement the FFAED by encouraging FSMA participation, working on the First Nation property ownership initiative and supporting capacity development. The FNTC will work with First Nations to use their FSMA revenue options to finance competitive infrastructure.

First Nations Gazette Expansion and Official Languages

The FNTC will enhance the First Nations Gazette website online services. In 2011/2012 the FNTC will also explore the potential to expand the First Nations Gazette to include First Nation notices similar to Part 1 of the Canada Gazette, and to include s.81 by-laws.

Legislative Amendments

In accordance with the seven year review of the FSMA legislation, the FNTC will work with Canada and other institutions to finalize specific FSMA legislative amendments that increase FSMA benefits and participation.

First Nations Property Ownership Act Initiative

The FNTC will work with Canada and proponent First Nations to establish a mandate to begin the legislative development process and to develop a communication strategy for proponent First Nations and an implementation plan.

Capacity Development

The FNTC and Tulo will graduate the first students in the First Nation Tax Administration Certificate program in 2011/2012. The FNTC will also launch the Alberta version of TAS.



Talking Rock golf course, the highly successful economic development venture of the Little Shuswap Indian Band, located on the shores of Little Shuswap Lake, BC



Highlights



Expanding FSMA Revenue Options

The FSMA provides three additional revenue options to participating First Nations: development cost charges, taxation for the provision of services and taxation on the activities of businesses. The FNTC has developed sample laws and associated standards for development cost charges, taxation for the provision of water to a specified area and two business activity taxes (hotel and occupancy). In 2010/2011 the FNTC worked with four First Nations to develop their development cost charge systems and two First Nations on taxation for the provision of services. In 2011/2012 the FNTC will work with a number of First Nations interested in business activity taxes.

These new revenue options represent one of the principal benefits of the FSMA. By implementing new tax powers, First Nations have infrastructure financing options similar to other local governments in Canada and they are able to offer improved services to taxpayers and better compete for investment. These new revenue options provide clear benefits to First Nations from economic participation and help support the broader goals of the FSMA, which are to create a strong First Nation investment climate and more financially self-sufficient First Nation governments.

Creating Certainty in the Tax System

The key to meeting First Nations' economic aspirations is to bring private investment to First Nation lands. Investment creates wealth, finances government services and infrastructure, fosters employment and business opportunities and, ultimately, increases tax dollars. Because 80% of investment in Canada is conducted by the private sector it stands to reason that any strategy for removing First Nations' economic disadvantage must be based on increasing private investment.

It is easy enough to understand private investment. Private investment is homeowners and businesses choosing to locate on First Nation land. The bedrock principle of making this happen is also simple - treat taxpayers and investors fairly, understand their interests, ensure they understand how decisions are made and ensure they receive appropriate and quality services at reasonable tax rates over the life of their investment.

To this end, the FNTC works with First Nations to ensure that rates and expenditures are stable, that variances can be justified and to ensure that taxpayers are consulted and informed about major expenditures. First Nations are encouraged to conduct medium term planning and to then share these plans with taxpayers. The FNTC promotes the creation of a professional tax administration supported by the Tax Administrator's Software.

Finally, the FNTC encourages First Nations to pass a Taxpayer Representation to Council Law that promotes strong dialogue between taxpayers and First Nation governments and identifies the transparent processes for addressing issues related to local revenues and services.



Highlights

Commission Convenes National Meeting for First Nation Tax Authorities

On October 19, 2010, the FNTC held a National Meeting for First Nation Tax Authorities in Vancouver, BC. The meeting provided tax administrators and other delegates from these First Nations with the opportunity to meet, discuss, and learn about innovations in the property tax system, to learn about new ways to expand economic growth, and to develop collective strategies to overcome common challenges. Sixty-seven First Nations attended. The meeting focused on four interrelated areas: protecting First Nation jurisdiction, expanding revenue options, enabling First Nation infrastructure financing, and building First Nation fiscal governance capacity.



Increasing Productivity on First Nation Lands through Improved Property Rights

An important goal of the FNTC is to increase the revenue potential of First Nations tax systems. The means for achieving this goal are very simple: improve the productivity of First Nations land. If productivity improves the value of the land increases, First Nations, and First Nation individuals, generate more wealth and property tax revenues will increase.

Real estate and credit markets currently do not work very well on First Nation lands because the system of property rights itself is largely inadequate. The First Nations Property Ownership Initiative (FNPO) will help address this problem. It will provide participating First Nations with the opportunity to take ownership of their own land, assume associated rights and responsibilities, and provide individuals with the same basic property rights that other Canadians take for granted.

Carbon Tax Rebates and the Impact on Taxing First Nations

The Province of BC announced a system of carbon tax rebates that will be delivered through the provincial property tax system. These rebates are intended to make the carbon tax revenue neutral by returning revenues through other tax systems including the provincial property tax system.

Taxpayers on First Nation lands are paying carbon taxes in BC, just like non-First Nation taxpayers however taxpayers on First Nation lands are currently not eligible for these rebates. The FNTC is committed to representing the interests of taxpayers on First Nation land and accordingly has begun to work with the Province to see if measures can be developed so these benefits can also be delivered through First Nation property tax systems.

FNTAA 17th Annual National Forum

On September 15-17, 2010, the First Nations Tax Administrators Association held their 17th Annual National Forum. Presentations included a report on property taxation from the FNTC expanding FSMA First Nation revenue options, maximizing infrastructure revenue with FNFA bonds, courses available through Tulo, managing reserve lands under a land code, HST implications for First Nations, and creating First Nation property rights. Dr. Robert Bish was honoured at the forum for his contribution to the inception of the FNTAA.



Highlights

First Nations Gazette – Making First Nation Legislation Accessible



The *First Nations Gazette* was originally established in 1997 to publish First Nation s.83 *Indian Act* by-laws to provide notice to taxpayers and First Nations. It has become an integral part of the FSMA as it is now used to publish all FSMA laws and standards in addition to s.83 *Indian Act* by-laws. It has also been used for laws related to FNGST, self government, and s.81 *Indian Act* by-laws.

In 2010/2011, the FNTC launched the on-line Gazette at www.fng.ca featuring a new document handling and search database. It includes FSMA laws, s.83 by-laws, other First Nation laws and by-laws, and sample laws, regulations, standards and policies that govern First Nation local revenue jurisdiction.

The *First Nations Gazette* makes First Nations laws accessible and reduces search costs for investors, First Nations, taxpayers, and researchers, provides notice to all those with an interest in First Nation laws and provides promulgation for First Nation laws. The use of the *Gazette Style Guide* ensures standardized First Nation laws to facilitate comparisons and research.

Tax Administration Software

The FNTC released an enhanced version of the Tax Administration Software (TAS) in 2010. It was developed to meet the needs of tax administrators in consultation with the FNTC and the First Nations Tax Administrators Association. This initiative was coordinated by Commissioner Terry Nicholas.

TAS continues to ensure that First Nations have access to an affordable system for processing assessment information, issuing tax notices and collecting tax revenues. It has been designed to help facilitate FSMA rates and expenditure laws and s.83 rates and expenditure by-laws.

Interest-based Dispute Prevention and Resolution Training

In March 2011, the Consensus Building Institute provided interest based dispute prevention and resolution training to the Commission and FNTC staff. The training used a dispute simulation and mock hearing to address a hypothetical request for review made under s.33 of the FSMA. The training was highly successful and the staff and commissioners gained valuable experience and insights in the due process and requirements to conduct an s.33 hearing.





Highlights

Tulo Centre of Indigenous Economics – The Legal and Administrative Framework to Support Markets

The Tulo Centre of Indigenous Economics, in partnership with Thompson Rivers University and the FNTC, offers accredited certificate programs in First Nation Tax Administration and First Nations Applied Economics. These certificate courses, the first of their kind in Canada, are based on four premises:

1. A fundamental cause of First Nation economic underdevelopment is the much higher costs of doing business on First Nation lands than off First Nation lands.
2. These high costs of doing business are mainly a result of First Nations not having the legal and administrative frameworks to support markets, as in the rest of Canada because the *Indian Act* has effectively frozen First Nation economic development for the last 140 years.
3. Recent legislation, such as the FSMA, the *First Nations Land Management Act*, the *First Nations Commercial and Industrial Development Act* and legislative initiatives such as the proposed First Nations Property Ownership Act provide an opportunity for First Nations to create competitive markets on their lands, generate economic growth, and raise their own revenues to achieve their community objectives.
4. There is a demand from First Nations for practical training and education on how to realize the economic benefits from recent First Nation legislation, especially the FSMA.

In 2011/2012, the first students of the First Nation Tax Administration certificate program will graduate. Tulo will also be working to develop new curricula in the areas of First Nation demographics, financial management, and interest-based negotiations so that it can offer a diploma in First Nations Applied Economics.



Tulo Signs Memorandum of Understanding with Institute of Liberty and Democracy

Hernando de Soto, President of the Institute of Liberty and Democracy and Chief Mike Lebourdais, Chair of the Tulo Centre Board of Directors, signed a Memorandum of Understanding between the two institutions on October 21, 2010. The institutions have agreed to “support each other to further their shared values and objectives relating to the legal and administrative framework to support markets and property rights on indigenous lands”. They will also “work together to secure resources to develop and deliver training and education to indigenous people to support market compatible indigenous property rights systems” and “work together to secure resources to facilitate a transfer of knowledge related to property rights and economic development among indigenous people in the Americas”.



Highlights

FNTC Performance Assessment

The FNTC, along with the other three fiscal institutions, completed a performance evaluation assessment in 2010/2011. This evaluation was conducted by Canada as part of the seven year evaluation of the FSMA. The purpose was to determine how effective each institution was in delivering on its mandate and purposes and to suggest changes to the FSMA that may improve the effectiveness of the institutions.

The evaluation found that the FNTC was meeting or exceeding its performance measures and delivering positive results for Canada, First Nations and taxpayers on its purposes. This strong positive evaluation is encouraging and, the FNTC continues to strive to improve its services to Canada and all stakeholders.

In 2010/2011 the FNTC began to work with Canada on a performance evaluation framework for the next five years. The FNTC also undertook in 2010/2011, the special internal examination required by the FSMA once every five years. The Special Examination concluded that FNTC systems and practices met all requirements of the FSMA. The FNTC looks forward to implementing recommendations from the Special Examination and evaluation as well as meeting and exceeding performance measures during the next five years.



(Back row R-L): Chief Keith Matthew, Justice Harry LaForme, Glen Clark, Mark L. Stephenson, Andre Le Dressay, James Hopkins, Paul Chartrand, Bud Smith, Donald Worme
(Front row R-L): Mel Bevan, C.T. (Manny) Jules, Hernando de Soto, Clo Ostrove, Ernie Philip, Diane Cragg

First Nations Property Ownership: It's Time

On October 20, 2010, the FNTC co-hosted the First Nations Property Ownership Conference with the Indigenous Bar Association (IBA) in Vancouver, BC. The meeting provided a public forum for First Nations and other interested delegates to learn more about property ownership and the First Nations Property Ownership initiative (FNPO). Chief Commissioner Jules co-chaired the meeting with Mr. Don Worme of the IBA.

Mr. Jules introduced the theme of the conference by discussing the history of First Nation property rights, the necessity to move beyond the *Indian Act* and that it is time that First Nations owned their own land. Keynote speaker Hernando de Soto discussed how property rights administrative systems create secure relationships and how those relationships establish identity, confirm ownership, and support trade and economic growth. He pointed out that, like many countries in the world, the current First Nation property rights system in Canada does not effectively support credit markets and that in many ways First Nation property represents dead capital.





Corporate Profile



Mandate

The mandate of the FNTC is set out in section 29 of the FSMA:

“The purposes of the Commission are to:

- a. ensure the integrity of the system of first nations real property taxation and promote a common approach to first nations real property taxation nationwide, having regard to variations in provincial real property taxation systems;
- b. ensure that the real property taxation systems of first nations reconcile the interests of taxpayers with the responsibilities of chiefs and councils to govern the affairs of first nations;
- c. prevent, or provide for the timely resolution of, disputes in relation to the application of local revenue laws;
- d. assist first nations in the exercise of their jurisdiction over real property taxation on reserve lands and build capacity in first nations to administer their taxation systems;
- e. develop training programs for first nation real property tax administrators;
- f. assist first nations to achieve sustainable economic development through the generation of stable local revenues;
- g. promote a transparent first nations real property taxation regime that provides certainty to taxpayers;
- h. promote understanding of the real property taxation systems of first nations; and
- i. provide advice to the Minister regarding future development of the framework within which local revenue laws are made.”

Section 83

Through an agreement with the Minister of Indian and Northern Affairs Canada (INAC), the FNTC will provide advice regarding the approval of s.83 by-laws and deliver services to First Nations exercising property tax jurisdiction under s.83 of the *Indian Act*.

Structure

The FNTC is a shared-governance institution. The Governor in Council appoints nine of the Commissioners and, under regulations, the Native Law Centre, University of Saskatchewan, appoints one Commissioner.



C.T. (Manny) Jules, Kamloops, BC
Chief Commissioner/CEO



David Paul, Tobique, NB
Deputy Chief Commissioner



Terry Nicholas, Windermere, BC



Ann Shaw, Chateaugay, QC



William McCue, Georgina Island, ON



Ken Marsh, Okotoks, AB



Randy Price, North Vancouver, BC



Lester Lafond, Saskatoon, SK



Dr. Céline Auclair, Gatineau, QC



Leslie Brochu, Kamloops, BC

Governance

The FNTC maintains a best practices approach for good governance. It operates in keeping with a comprehensive governance and management policy and the Chief Commissioner has established the following committees to support its work:

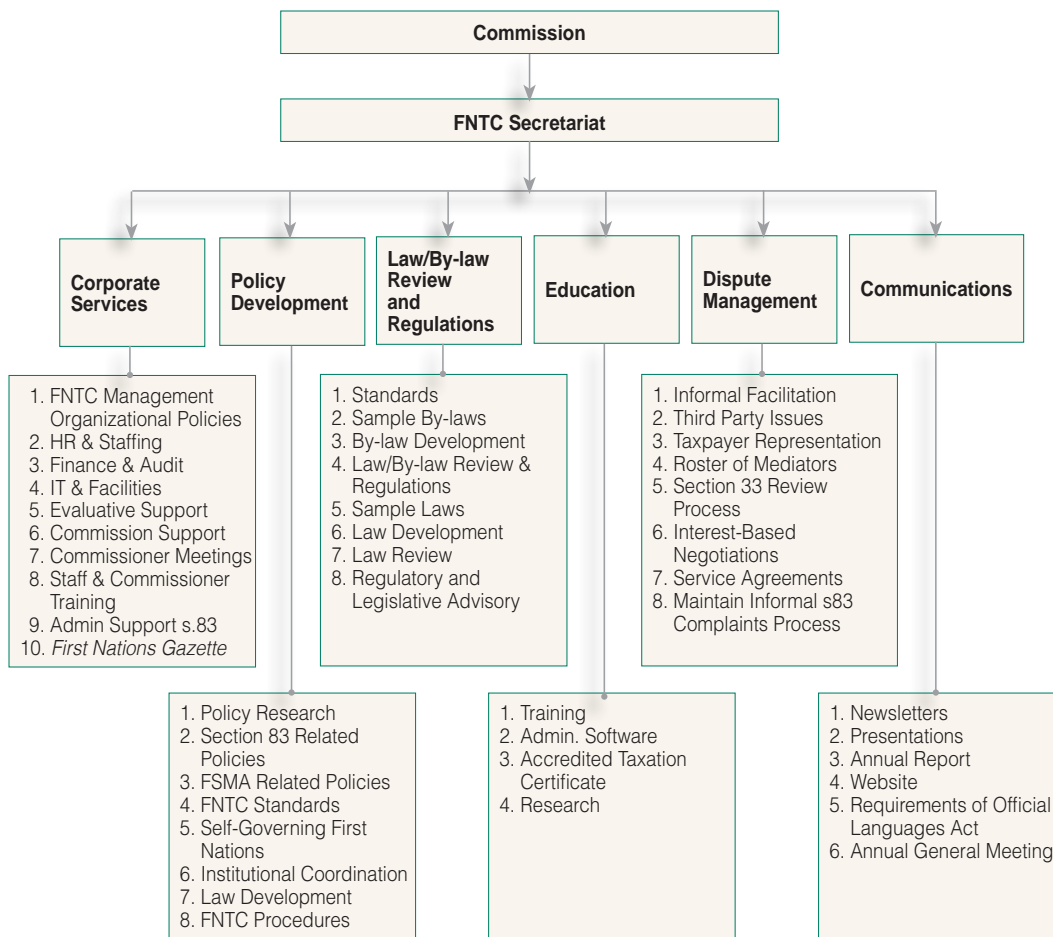
- Executive Management Committee
- Management Committee
- Audit Committee
- Section 83 Rates Committee
- Education and First Nation Tax Administrators Association Committee
- International Relations Committee
- *First Nations Gazette* Editorial Board

Committees may consist of Commissioners only, or a mix of Commissioners, staff and other professionals, as appropriate.

Pursuant to section 26 (FSMA), the FNTC maintains a Head Office on the reserve lands of the Tk'emlúps Indian Band and an office in the National Capital Region.

The FNTC is supported by a Secretariat with an allocation of twenty-one full time equivalents comprised of staff and contract professionals with expertise related to the FNTC mandate.

The FNTC operates six business lines, as illustrated below.





**Strategic Objectives and
Measuring Performance
2010/2011**

Performance Summary 2010/2011

STRATEGIC OBJECTIVES PERFORMANCE MEASURE

Corporate Services

Corporate Plan and Work Plan	Completed
Special examination	Completed
Four general meetings and six law review meetings	Completed
Manage <i>First Nations Gazette</i>	Completed
Maintain online <i>First Nations Gazette</i>	Ongoing
First Nations support program	Ongoing
Manage Special Initiatives	Ongoing
Facilities management	Ongoing
Administrative management	Ongoing
Committee support	Ongoing
Maintain registry of approved First Nation laws and by-laws	Ongoing
Hold annual general meeting	Completed

Policy Development

4 Law Standards	Completed
Review 4 s.83 policies	Completed
6 policies in process	Completed
Complete 2 projects with other institutions	Completed
Initiate 3 projects with other institution	Completed

Law, By-law Review and Regulations

Develop 4 Sample Laws	Completed
80 FSMA laws reviewed	Completed
55 s.83 by-laws reviewed	Completed
FSMA legislative amendments	Ongoing
Regulation development	Completed

Communications

Prepare and publish Annual Report	Completed
Coordinate and develop materials for FNTC annual meeting	Completed
Support national meeting for First Nation Taxing Authorities	Completed
Update and maintain website	Ongoing
Coordinate and develop presentations	Ongoing
Compliance with <i>Official Languages Act</i>	Ongoing
Publish <i>Clearing the Path</i> newsletter	Completed

Education

Accreditation process for First Nation Applied Economics Diploma	Ongoing
Develop curricula for 2 courses	Completed
Develop curricula for 4 online courses	Completed
Deliver 6 courses	Completed
Provide support for TAS	Ongoing

Dispute Management

Maintain roster of qualified mediators and provide training	Ongoing
Respond to requests for dispute facilitation	Ongoing
Section 33 review process operational	Completed
Provide dispute resolution training	Completed



Corporate Services

The objective of Corporate Services is to create an effective work environment for FNTC service areas and operate the FNTC and its Secretariat in keeping with the FSMA Part 2, Part 6, and the Corporate Plan. Corporate Services is also responsible for the management of the *First Nations Gazette* and any special projects or initiatives that the FNTC undertakes.

Key Accomplishments

Special Examination – (FSMA s.121) The FNTC completed its special examination in 2010/2011. The auditor found no significant deficiencies and found good practices in all areas examined. The FNTC will implement any recommendations from that examination in 2011/2012.

Evaluation of the Implementation of the FSMA – An evaluation of the implementation of the FSMA was conducted in 2010-2011 to meet Treasury Board requirements and to support a legislative review of the Act. The evaluation assessed the relevance and performance of the implementation of the FSMA. The final report will be completed in 2011-2012.

Performance Measurement Strategy – In 2010-2011 work began to develop an umbrella performance measurement strategy covering all four FSMA institutions. The project is anticipated to be completed in 2011-2012.

Manage *First Nations Gazette* and maintain online *First Nations Gazette* – The online *First Nations Gazette* was created in 2010/2011 and will be expanded in 2011/2012.

First Nations support program – In 2010/2011, three First Nations who transitioned to the FSMA had their FSMA property assessment and taxation laws come into force.

In 2010/2011, the Commission held general meetings in Cranbrook, Kamloops, Toronto and the Brokenhead Ojibway Nation. Eight law review meetings and thirteen by-law review meetings were also held.

In September, the FNTC held its Annual General meeting at the head office.



Special Initiatives

1. Treaty land entitlement support – The FNTC worked with two communities in Manitoba to help them develop strategies so they can maximize the benefits from TLEs through the FSMA.
2. Local revenue framework research – The FNTC began work on an MOU with INAC's Strategic Analysis Directorate to advance mutual interests and conduct future research. The FNTC looks forward to completing this MOU in 2011/2012.
3. First Nations Goods and Services Tax (FNGST) – The FNTC worked with two First Nations to develop an understanding of the benefits of FNGST in their communities.
4. Canadian National Railway – In 2010/2011, a CNR working group was formed in support of property taxation and economic development opportunities arising from increased imports and exports through the Port of Prince Rupert.
5. First Nation Property Ownership Initiative – The FNTC continued to explore options for increased certainty of title on First Nations lands via consultations with First Nations, provincial, federal and local governments and other stakeholders. In October 2010, more than 300 delegates attended a conference in Vancouver, BC that featured Hernando de Soto as the keynote speaker. To date, there are ten proponent First Nations for the development of the proposed legislation.



Policy Development/Education

POLICY DEVELOPMENT

The objective of Policy Development is to develop and implement, through a transparent process, effective standards and policies. These policies and standards should support sound administrative practices and increase First Nation, taxpayer and investor confidence in the integrity of the First Nation local revenue system.

Key Accomplishments

In 2010/2011, the FNTC developed a policy framework to support FSMA laws for the taxation of business activities. The use of business activity laws (BATs) is an emerging area of First Nation property taxation and some examples include accommodation tax and business assessment tax. In developing the policy framework, the FNTC examined best practices and examples set forth by local governments across the country. The framework ensures BATs are harmonized with current practice, administratively efficient, and promote the integrity of the First Nation taxation system. The FNTC has responded to interest in BATs expressed by First Nations in Manitoba, Saskatchewan, Alberta, and British Columbia.

The FNTC completed a series of projects, including some with the other fiscal institutions, to support FSMA debenture financing. These projects include an inventory of First Nations who have the interest and the capacity to borrow through the FSMA and a borrowing simulation project which offers a practical step-by-step guide how First Nations can use their property tax revenue to secure FSMA loans.

Development cost charges (DCC) are one-time payments made by developers for the capital cost burden created by new development and they are an integral part of local or regional government's strategy in financing infrastructure. Several First Nations are currently developing DCC laws under the FSMA. In 2010/2011, the FNTC coordinated meetings of these First Nations in order to refine the DCC standards and build synergies in DCC law development. On-going technical support informed the DCC sample law development and associated DCC standards for the form and content of DCC laws.

The FNTC completed its policy framework for delegation of authority laws. These unique laws allow First Nations to delegate their law-making authority under the FSMA to another body. These laws can assist First Nations in situations where there is a jointly held reserve, or to facilitate the aggregation of tax systems for reasons of economy or nation-building.

In accordance with its Memorandum of Understanding with the Minister of Indian Affairs, the FNTC continued to provide policy guidance for First Nations taxing under section 83 of the *Indian Act*. Several key policies governing property tax by-laws and annual by-laws were revised to reflect an overall consistent policy approach to First Nation property taxation.

EDUCATION

The objective of the Education business line is to promote an understanding of the real property taxation systems of First Nations, develop training programs for First Nation real property tax administrators and build capacity in First Nations to administer their taxation systems.

Key Accomplishments

In 2010/2011, the FNTC in partnership with the Tulo Centre of Indigenous Economics (Tulo) and Thompson Rivers University (TRU) delivered seven instructional courses to a total of 90 students. Five courses were delivered in the First Nation Tax Administration certificate and two courses were delivered in the First Nations Applied Economics certificate.

Five of these seven courses were original curriculum offered for the first time. The executive one-week format for these courses has proven to be effective and more students have begun to take the on-line versions of these courses. Student evaluations of Tulo's activity-based learning methods have been very positive.

In 2010/2011, Tulo began development of curriculum for four courses and was nearing completion of the curricula for all fourteen courses in both Certificate programs.



Law, By-Law Review and Regulatory Affairs

The objective of Law, By-Law Review, and Regulatory Affairs is to carry out the FNTC's law review responsibilities under both the FSMA and an MOU with the Minister of INAC. The FNTC also assists in the development of FSMA regulations which includes monitoring regulatory impacts and developing proposals.

Key Accomplishments

In 2010/2011, the Commission reviewed and approved 84 laws and reviewed and recommended 55 by-laws for ministerial approval. These laws/by-laws concern property tax, assessment, rates and expenditures.

FNTC continued to work with approximately 30 First Nations to either establish their property tax laws under the FSMA or to repeal and replace their existing section 83 by-laws to FSMA laws. This has involved ongoing technical support and FNTC participation in First Nation information sessions and community meetings. Further work was completed to assist First Nations in the development of other FSMA laws such as development cost charges, taxation for the provision of services and taxation of business activities.

The FNTC has developed a successful program providing sample property tax laws/by-laws to First Nations entering property taxation. These samples are designed to aid First Nations legal counsel in law/by-law development and to be consistent with legislative authority, regulations, and FNTC standards and policies. They reduce the cost and time associated with legislative drafting and expedites the review, approval, and publication process. In 2010/2011, the FNTC amended and updated sample property tax, assessment, expenditure, and rates laws and by-laws as well as amended sample borrowing laws. Draft sample laws were completed for DCCs, business activities and for delegation of authority.



Buffalo Point Hotel, Spa and Resort, Buffalo Point First Nation. The resort is located on southern Lake of the Woods, Manitoba.



COMMUNICATIONS

The objective of Communications is to promote understanding of the First Nation real property tax system and its potential to assist First Nations in their economic development.

Key Accomplishments

In 2010/2011, Communications continued to support Commissioners and staff in presenting information directly to First Nations, taxpayers and other stakeholders. Over 70 presentations were made regarding the FNTC, the First Nation local revenue system, the First Nations Property Ownership initiative, and increasing the value of the First Nation property tax base. This included:

- Presentations to First Nations on the development of property tax jurisdiction, the FSMA and debenture borrowing under the FSMA
- National Meeting for First Nation Tax Authorities (October 2010)
- First Nations Tax Administrators Association 17th Annual Forum (September 2010) and Indigenous Bar Association 22nd Annual Conference (October 2010)
- Canadian Property Tax Association 44th Annual Workshop (September 2010)
- Meetings with FSMA institutions and INAC officials regarding development and amendments to FSMA regulations, including regulations to help First Nations finance projects over the long term
- First Nations Property Ownership Conference, in cooperation with the Indigenous Bar Association, on October 20, 2010. The conference included keynote speakers Hernando de Soto, Justice Harry LaForme, and Hon. George Abbott, BC Minister for Aboriginal Relations and Reconciliation
- Briefings with various Aboriginal leaders, business representatives, and senior government officials on the First Nations Property Ownership initiative including a visit by the House of Commons Standing Committee on Finance to the FNTC Head Office to discuss the First Nations Property Ownership initiative (September 2010)
- Four editions of Clearing the Path newsletter were published

- www.fntc.ca: The site was completely redesigned and launched in March 2011. The new website contains more information for users including a property tax tool kit, revised First Nations Property Taxation Guide and details about taxing First Nations.

Communications also ensured compliance with the Official Languages Act in all communications materials.

The 2009/2010 Annual Report was published in July 2010 and the FNTC Annual Meeting was held in Kamloops in September 2010.

DISPUTE MANAGEMENT

The objective of Dispute Management is to prevent or provide for the timely resolution of disputes in relation to the application of local revenue laws and to provide support to First Nations in negotiations related to expanding tax jurisdiction and completing service agreements.

Key Accomplishments

The FNTC has developed a comprehensive dispute resolution service to support First Nation taxation. Facilitation services which are provided by members of the FNTC Secretariat and a roster of mediators, are available to both First Nations and taxpayers. Two mediators have acquired their First Nation property tax training and are currently listed.

Dispute Management continues to respond to requests for facilitation. In 2010/2011, seven disputes were successfully facilitated and work continues on the negotiation for the expansion of taxation of railway interests and the collection of utility grants in lieu payments by First Nations.

The FNTC continues to develop its dispute management policy framework and has developed a section 33 (FSMA) review process procedures manual. Commissioner and staff training to support the implementation of the s.33 complaints review process was completed and further training is planned. The s.33 review process is operational and the dispute management and complaints review process can be utilized to address taxpayer concerns.



Financial Statements



First Nations Tax Commission
Financial Statements
For the year ended March 31, 2011

Contents

Management’s Responsibility for Financial Reporting 26

Independent Auditor’s Report 27

Financial Statements

Statement of Financial Position 28

Statement of Change in Net Financial Assets (Debt) 28

Statement of Financial Activities 29

Statement of Cash Flows 28

Summary of Significant Accounting Policies 30 - 32

Notes to Financial Statements 33 - 35

Auditors’ Report on Supplementary Financial Information 36

Schedule 1 - Corporate Plan 37

Schedule 2 - First Nations Tax Administrators Meeting 37

Schedule 3 - First Nations Property Ownership Act 37

Schedule 4 - Supplementary Funding to Support First Nations
Property Ownership Act 38

Schedule 5 - First Nations Property Ownership Act (2010) 38

Schedule 6 - Supplementary Funding to Support First Nations
Securitization of Other Revenue Sources 38

Management's Responsibility for Financial Reporting

The accompanying financial statements of the First Nations Tax Commission ("FNTC") 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 FNTC 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 that FNTC's assets are appropriately accounted for and adequately safeguarded.

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



Chief Commissioner



Commissioner

To the Commissioners of First Nations Tax Commission

We have audited the accompanying financial statements of the First Nations Tax Commission ("FNTC") as at March 31, 2011, which comprise the statement of financial position and the statements of change in net financial assets (debt), financial activities, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the FNTC as at March 31, 2011 and the results of its operations, change in net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. The quantitative information is accurate in all material respects and was prepared on a basis consistent with that of the preceding year. The transactions of the institution that have come to the auditor's notice in the course of this examination were carried out in accordance with the *First Nations Fiscal and Statistical Management Act*.

"BDO Canada LLP"
Chartered Accountants

June 3, 2011, Kamloops, British Columbia

Statement of Financial Position

As at March 31	2011	2010
Financial Assets		
Cash (Note 2)	\$ 631,282	\$ 193,616
Accounts receivable (Note 3)	845,905	847,113
	<u>1,477,187</u>	<u>1,040,729</u>
Liabilities		
Accounts payable	673,332	\$ 470,470
Contracts payable (Note 4)	553,633	605,188
	<u>1,226,965</u>	<u>1,075,658</u>
Net surplus (debt)	<u>250,222</u>	<u>(34,929)</u>
Non-Financial Assets		
Prepaid expenses	15,285	35,346
Tangible capital assets (Note 5)	333,755	492,590
	<u>349,040</u>	<u>527,936</u>
Accumulated surplus (Note 9)	<u>\$ 599,262</u>	<u>\$ 493,007</u>

Approved on behalf of the Commission:



Chief Commissioner



Commissioner

Statement of Change in Net Financial Assets (Debt)

For the year ended March 31	Financial plan	2011	2010
Annual surplus (deficit)	\$ -	\$ 106,255	\$ (103,913)
Acquisition of tangible capital assets	-	(212,686)	(300,113)
Amortization of tangible capital assets	-	371,522	403,108
Loss on disposal of tangible capital assets	-	-	1,174
	-	<u>265,091</u>	<u>256</u>
Consumption (acquisition) of prepaid expenses	-	<u>20,060</u>	<u>(25,809)</u>
Net change in net financial assets (debt)	-	285,151	(25,553)
Net debt, beginning of year	<u>(34,929)</u>	<u>(34,929)</u>	<u>(9,376)</u>
Net financial assets (debt), end of year	<u>\$ (34,929)</u>	<u>\$ 250,222</u>	<u>\$ (34,929)</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Financial Activities

For the year ended March 31	Financial plan	2011	2010
Revenue			
Corporate Plan	\$ 5,715,996	\$ 5,735,627	\$ 5,492,512
First Nations Tax Administrators Meeting	202,000	202,000	-
First Nations Property Ownership Act 2011	798,534	984,384	-
FNPOA Supplementary 2011	338,256	338,256	-
First Nations Property Ownership Act 2010	-	-	248,000
Supplementary Funding to Support First Nations Securitization of Other Revenue Sources	-	-	50,000
	7,054,786	7,260,267	5,790,512
Expenses			
Corporate Plan	5,715,996	5,629,122	5,596,425
First Nations Tax Administrators Meeting	202,000	202,272	-
First Nations Property Ownership Act 2011	798,534	984,598	-
FNPOA Supplementary 2011	338,256	338,020	-
First Nations Property Ownership Act (FNPOA) 2010	-	-	248,000
Supplementary Funding to Support First Nations Securitization of Other Revenue Sources	-	-	50,000
	7,054,786	7,154,012	5,894,425
Annual surplus (deficit)	-	106,255	(103,913)
Accumulated surplus , beginning of year	-	493,007	596,920
Accumulated surplus , end of year	\$ -	\$ 599,262	\$ 493,007

Statement of Cash Flows

For the year ended March 31	2011	2010
Operating activities		
Annual surplus (deficit)	\$ 106,255	\$ (103,913)
Items not involving cash		
Amortization	371,522	403,108
Loss on disposal of tangible capital assets	-	1,174
Changes in non-cash operating balances		
Accounts receivable	1,208	(138,986)
Prepaid expenses	20,061	(25,809)
Accounts payable and contracts payable	151,306	(498,677)
Cash flows from operating activities	650,352	(363,103)
Capital activity		
Purchase of tangible capital assets	(212,686)	(300,113)
Net increase (decrease) in cash	437,666	(663,216)
Cash , beginning of year	193,616	856,832
Cash , end of year	\$ 631,282	\$ 193,616

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Summary of Significant Accounting Policies

Accounting Principles	<p>The First Nations Tax Commission (“FNTC”) prepares its financial statements in accordance with Canadian generally accepted accounting principles for public sector entities.</p>						
Revenue Recognition	<p>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. Interest and other income are recognized as revenue when earned.</p> <p>No restricted contributions were received during the year.</p>						
Tangible Capital Assets	<p>Tangible capital assets are recorded at cost, which includes all amounts directly attributable to acquisition, development or retirement of the asset. Proceeds on disposal of tangible capital assets are recorded as revenue in the appropriate program.</p> <p>The cost less residual value of the tangible capital assets are amortized using the straight line method at the following annual rates, which approximates the useful life of the assets:</p> <table><thead><tr><th><u>Asset</u></th><th><u>Rate</u></th></tr></thead><tbody><tr><td>Equipment</td><td>3 years</td></tr><tr><td>Leasehold improvements</td><td>5 years</td></tr></tbody></table>	<u>Asset</u>	<u>Rate</u>	Equipment	3 years	Leasehold improvements	5 years
<u>Asset</u>	<u>Rate</u>						
Equipment	3 years						
Leasehold improvements	5 years						
Government Transfers	<p>Government transfers are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.</p>						
Use of Estimates	<p>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. Significant estimates in these financial statements include the amortization of tangible capital assets and the recognition of accounts and contracts payable.</p>						
Segmented Information	<p>FNTC is a shared governance institution with a head office in Kamloops, BC and an Eastern office in the National Capital Region in Ottawa. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:</p> <p><u>Commission Services</u></p> <p>FNTC is a shared governance institution with a Chief Commissioner and eight commissioners appointed by the Governor-in-Council and one commissioner appointed by the Native Law Centre of Canada at the University of Saskatchewan. The Commission Services business line includes the operational and support costs of the Chief Commissioner and the nine commissioners.</p>						

Communications

The Communications business line promotes the understanding of First Nation real property taxation systems and communicates policy initiatives for the Commission through the publication of a quarterly newsletter, meetings and presenting to First Nations, attending and hosting professional conferences, preparing and distributing the FNTC annual report, developing and maintaining an internet website, and preparing and distributing marketing materials.

Corporate Services

Corporate Services business line provides financial, human resources, insurance, audit and administrative services to FNTC and is responsible for meeting corporate planning and reporting requirements as well as coordinating the annual general meeting and commission meetings. Corporate Services also has a lead role in meeting Access to Information and Privacy (ATIP) and official languages requirements, corporate policy development and implementation, and providing management and support to meeting s.83 and First Nation Fiscal and Statistical Management Act ("FSMA") administrative requirements.

Dispute Management

The objective of the Dispute Management business line is to prevent or provide for the timely resolution of disputes in relation to the application of FSMA laws as well as to provide education, training and facilitation services to s.83 tax authorities as requested. Dispute resolution supports and manages the s.33 review of complaints process.

Education

The Education business line promotes understanding of the real property taxation systems of First Nations, through public education, through the development of training programs for First Nation real property tax administrators, and through the development of administrative tools to assist those First Nations.

Gazette

The Gazette business line manages the publication and distribution of the First Nations Gazette in conjunction with the Native Law Centre. The First Nations Gazette publishes First Nations laws, by-laws, and sample laws under the FSMA and s.83.

Law/By-law Review and Regulations

The Law Review business line reviews laws to ensure that they comply with the FSMA and the associated regulatory framework and also provides support to First Nations in the law development process. The Law Review business line also develops sample laws both under the FSMA and by-laws under s.83 of the Indian Act. The law review business line also reviews and liaises with Indian and Northern Affairs Canada ("INAC") on the approval of s.83 by-laws and maintains a registry for both s.83 by-laws and FSMA laws.

Policy Development

The Policy Development business line develops and implements policies and standards to support administrative practices to increase First Nation, taxpayer, and investor confidence and certainty in the integrity of the First Nation local revenue and s.83 property taxation systems.

First Nation Property Ownership Act

This initiative is intended to allow First Nations to gain inalienable title and real jurisdiction over their lands. The Commission continued consultation on this initiative throughout 2010-2011 to interested First Nation leaders, Certificate of Possession holders, and stakeholders in other governments and businesses.

Securitization of Other Revenue Sources

This initiative was to provide research and policy support in a collaborative process with the First Nations Finance Authority (FNFA) and the First Nations Financial Management Board (FNFMB) regarding the development of the Other Revenues Regulations that will expand First Nations access to capital.

First Nations Tax Administrators Meeting

During 2010-2011, the FNTC hosted a national meeting of First Nation tax authorities. The meeting provided First Nation tax authorities with an opportunity to discuss and learn about innovations in the property tax systems, new ways to expand growth, learn about the FSMA process and develop collective strategies to overcome common challenges.

1. Nature of Operations

FNTC is a national shared governance institution with a head office in Kamloops, BC and an eastern office in the National Capital Region in Ottawa. Its 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. FNTC 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

	2011	2010
Government of Canada	\$ 705,479	\$ 800,734
Goods and Services Tax	133,750	38,043
Other	6,676	8,336
	\$ 845,905	\$ 847,113

4. Contracts Payable

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

5. Tangible Capital Assets

	2011			2010		
	Leasehold Improvements	Equipment	Total	Leasehold Improvements	Equipment	Total
Cost, beginning of year	\$ 355,203	\$ 996,202	\$ 1,351,405	\$ 355,203	\$ 698,906	\$ 1,054,109
Additions		212,686	212,686	-	300,113	300,113
Disposals					(2,817)	(2,817)
Cost, end of year	355,203	1,208,888	1,564,091	355,203	996,202	1,351,405
Accumulated amortization, beginning of year	192,236	666,578	858,814	121,196	336,154	457,350
Amortization	71,041	300,481	371,522	71,041	332,067	403,108
Disposals					(1,643)	(1,643)
Accumulated amortization, end of year	263,277	967,059	1,230,336	192,237	666,578	858,815
Net carrying amount, end of year	\$ 91,926	\$ 241,829	\$ 333,755	\$ 162,966	\$ 329,624	\$ 492,590

6. Economic Dependence

FNTC receives substantially all of its revenue pursuant to a funding arrangement with the Government of Canada. In addition to the Government's base funding of \$5,715,996 (2010 - \$5,477,335), contributions provided by the Government and others are necessary for FNTC to undertake specific research and policy development initiatives.

7. Financial Instruments

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

8. Commitments

FNTC entered into an operating lease for its premises in the National Capital Region. The office is leased at \$ 6,614 per month plus applicable taxes under a lease expiring in January 2013.

FNTC entered into an operating lease for its premises in Kamloops, BC. The office is leased on month-to-month basis at \$ 3,755 per month plus applicable taxes.

FNTC entered into two operating leases for its photocopiers. The photocopiers are leased at \$ 2,105 and \$ 1,598 per quarter respectively plus applicable taxes under leases expiring in October 2013.

FNTC entered into an operating lease for its fiber optics. The fiber optics are leased at \$ 2,700 per month plus applicable taxes under a lease expiring in May 2013.

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

2012	\$	126,574
2013		113,347
2014		12,805
	\$	<u>252,726</u>

9. Accumulated Surplus

The Commission segregates its accumulated surplus in the following categories:

	2011	2010
Investment in tangible capital assets	\$ 333,755	\$ 492,590
Current Funds	159,002	417
Employee future benefit reserve	106,505	-
	<u>\$ 599,262</u>	<u>\$ 493,007</u>

The investment in tangible capital assets represents amounts already spent and invested in equipment and leasehold improvements.

During the year, the FNTC began the development of an employee future benefits policy that would be similar to the policies of the federal government. At March 31, 2011, an employee future benefit policy had not been fully developed. The FNTC has allocated \$106,505 to an employee future benefit reserve to internally restrict a portion of its net assets for the purpose of funding the employee future benefit policy. The final details of the employee future benefit policy and the costing of the benefit plan will be determined in 2011/2012. The amount allocated to the employee benefit reserve may not be sufficient to fully fund the future employee benefit plan. This reserve is in addition to \$88,151 (2010 - \$88,151) of other employee future benefits that are accrued in the statement of financial position.

10. Statements of Expenditures by Object

	2011	2010
Amortization	\$ 371,520	403,108
Operating Goods and Services	4,720,131	\$ 3,363,652
Salaries and Honorarium	2,062,361	2,127,665
	<u>\$ 7,154,012</u>	<u>\$ 5,894,425</u>

Notes to Financial Statements

11. Segmented Information

For the year ended March 31, 2011	Commission Services	Communications	Corporate Services	Dispute Management	Education	Gazette	First Nations Property Ownership Act	First Nation Tax Administrators Meeting	Law Review, By-Law Review and Regulations	Policy Development	2011 Total
Government of Canada	\$ 883,780	\$ 623,296	\$ 1,139,020	\$ 202,158	\$ 490,220	\$ 311,721	\$ 1,136,790	\$ 202,000	\$ 1,206,436	\$ 859,365	\$ 7,054,786
Interest	-	-	4,153	-	-	148	-	-	-	-	4,301
Other Income	-	-	1,500	-	-	13,830	185,850	-	-	-	201,180
Expenses	883,780	623,296	1,144,673	202,158	490,220	325,699	1,322,640	202,000	1,206,436	859,365	7,260,267
Salaries and honoraria	566,294	160,260	392,429	50,180	88,316	-	-	-	516,242	288,640	2,062,361
Goods and services	233,780	478,873	575,389	100,547	361,283	229,552	1,322,617	202,274	643,326	572,490	4,720,131
Amortization	19,333	14,266	170,202	-	101,360	6,894	-	-	28,123	31,342	371,520
	819,407	653,399	1,138,020	150,727	550,959	236,446	1,322,617	202,274	1,187,691	892,472	7,154,012
Net surplus (deficit)	\$ 64,373	\$ (30,103)	\$ 6,653	\$ 51,431	\$ (60,739)	\$ 89,253	\$ 23	\$ (274)	\$ 18,745	\$ (33,107)	\$ 106,255

For the year ended March 31, 2010	Commission Services	Communications	Corporate Services	Dispute Management	Education	Gazette	First Nations Property Ownership Act	Law Review, By-Law Review and Regulations	First Nations Securitization of Other Revenue Source	2010 Total
Government of Canada	\$ 817,785	\$ 622,792	\$ 1,006,542	\$ 235,824	\$ 484,320	\$ 304,750	\$ 248,000	\$ 1,193,518	\$ 811,804	\$ 5,775,385
Interest	-	-	54	-	-	85	-	-	-	139
Other Income	-	-	-	-	-	15,038	-	-	-	15,038
Capital Contributions	-	-	-	-	-	-	-	-	-	-
Expenses	817,785	622,792	1,006,596	235,824	484,320	319,873	248,000	1,193,518	811,804	5,790,512
Salaries and benefits	573,396	155,604	377,405	71,517	83,292	-	-	594,698	271,753	2,127,665
Goods and services	223,913	538,316	552,998	162,801	301,580	240,881	248,000	531,108	514,055	3,363,652
Amortization	-	12,972	216,254	-	99,335	6,894	-	31,426	36,227	403,108
	797,309	706,892	1,146,657	234,318	484,207	247,775	248,000	1,157,232	822,035	5,894,425
Net surplus (deficit)	\$ 20,476	\$ (84,100)	\$ (140,061)	\$ 1,506	\$ 113	\$ 72,098	\$ -	\$ 36,286	\$ (10,231)	\$ (103,913)

To the Commissioners of First Nations Tax Commission

We have audited and reported separately on the financial statements of the First Nations Tax Commission as at and for the year ended March 31, 2011 in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole in accordance with Canadian generally accepted auditing standards. The supplementary information included in the following Schedules as at and for the year ended March 31, 2011 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements.

We do not express a separate audit opinion on the individual schedules of supplemental financial information.

"BDO Canada LLP"

Chartered Accountants

June 3, 2011

Kamloops, British Columbia

Schedule 1 - Corporate Plan

For the year ended March 31	Financial plan	2011	2010
Revenue			
Government of Canada	\$ 5,715,996	\$ 5,715,996	\$ 5,477,335
Interest and other income	-	19,631	15,177
	5,715,996	5,735,627	5,492,512
Expenses			
Commission services	883,780	819,407	797,309
Communications	623,296	653,400	706,892
Corporate services	1,139,020	1,138,020	1,146,657
Dispute management	202,158	150,727	234,318
Education	490,220	550,959	484,207
Gazette	311,721	236,446	247,774
Law review, by-law review and regulations	1,206,436	1,187,691	1,157,232
Policy development	859,365	892,472	822,035
	5,715,996	5,629,122	5,596,424
Excess (deficiency) of revenue over expenditures	\$ -	\$ 106,505	\$ (103,912)
Transfer to Employee Future Benefits reserve	-	106,505	-
	-	-	(103,912)

Schedule 2 - First Nations Tax Administrators Meeting

For the year ended March 31	Budget	2011	2010
Revenue			
Government of Canada	\$ 202,000	\$ 202,000	\$ -
Expenses			
Meeting costs	202,000	202,272	-
	202,000	202,272	-
Deficiency of revenue over expenditures	\$ -	\$ (272)	\$ -

Schedule 3 - First Nations Property Ownership Act

For the year ended March 31	Financial plan	2011	2010
Revenue			
Government of Canada	\$ 798,534	\$ 798,534	\$ -
Sponsorship Income	-	105,000	-
Registrations	-	80,850	-
	798,534	984,384	-
Expenses			
Policy Framework	205,956	217,437	-
Public Consultations	529,578	675,340	-
Senior Policy Advisor	63,000	91,821	-
	-	-	-
	798,534	984,598	-
Deficiency of revenue over expenditures	\$ -	\$ (214)	\$ -

**Schedule 4 - Supplementary Funding to Support
First Nations Property Ownership Act**

For the year ended March 31	Budget	2011	2010
Revenue			
Government of Canada	\$ 338,256	\$ 338,256	\$ -
Expenses			
Increased Outreach	45,000	22,827	-
Sustaining Momentum	146,200	127,170	-
Completing Previous Research	122,000	162,967	-
Administration	25,056	25,056	-
	338,256	338,020	-
Excess of revenue over expenditures	\$ -	\$ 236	\$ -

Schedule 5 - First Nations Property Ownership Act (2010)

For the year ended March 31	Financial plan	2011	2010
Revenue			
Government of Canada	\$ -	\$ -	\$ 248,000
Expenses			
Administration	-	-	18,500
Discussion paper	-	-	80,694
Discussion paper consultations	-	-	64,161
Preliminary First Nations consultations	-	-	14,760
Policy materials	-	-	69,885
	-	-	248,000
Excess of revenue over expenditures	\$ -	\$ -	\$ -

**Schedule 6 - Supplementary Funding to Support
First Nations Securitization of Other Revenue Sources**

For the year ended March 31	Financial plan	2011	2010
Revenue			
Government of Canada	\$ -	\$ -	\$ 50,000
Expenses			
Administration	-	-	4,500
Analysis of draft regulation	-	-	20,500
Communications	-	-	2,551
Coordination of drafting instructions	-	-	14,829
Risk assessment discussion paper	-	-	7,620
	-	-	50,000
Excess of revenue over expenditures	\$ -	\$ -	\$ -

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