



**FIRST PEOPLES**  
economic growth fund

**2008-09**  
**Annual Report**



*"This important fund will act as a tool in helping to close the gap in the standard of living between First Nations and non-Aboriginal Manitobans," said the late Aboriginal and Northern Affairs Minister Oscar Lathlin (pictured left at FPEGF's Grand Opening). "I welcome the outstanding Manitobans who have agreed to serve on the Board of Directors to oversee the First Peoples Economic Growth Fund."*

*"First Peoples Economic Growth Fund is unique in a number of ways. Where First Nation programs are considered a federal government responsibility, this province has stood up and made First Peoples its priority," said Grand Chief Ron Evans, Assembly of Manitoba Chiefs.*





## FPEGF Grand Opening September 23, 2008

Thank you to all who attended our Grand Opening. A special thanks to invited speakers Honourable Gary Doer, Premier of Manitoba; Grand Chief Ron Evans, Assembly of Manitoba Chiefs; Dennis Meeches, former Chief of Long Plain First Nation; and the late Oscar Lathlin, Minister of Aboriginal and Northern Affairs.

### Ribbon Cutting



L-R: Grand Chief Ron Evans, Assembly of Manitoba Chiefs; Bob Silver, FPEGF Board Vice-Chair; Pat Turner, FPEGF Board Chair; the late Oscar Lathlin, Minister of Aboriginal and Northern Affairs; Bruce Burton, FPEGF Board Secretary; Bob Brennan, FPEGF Board Director; in background, Dennis Meeches, former Chief of Long Plain First Nation.



AMC Grand Chief Ron Evans



L-R: Premier Gary Doer and  
FPEGF Board Chair Patricia Turner



Dennis Meeches, former Chief  
of Long Plain First Nation



## Chairperson's Message

First Peoples Economic Growth Fund (FPEGF) was started by a group of provincial and First Nation leaders who understood that the future of Manitoba's First Nation population lies with education and economic development. These leaders and their staff worked for three years toward the goal of creating a business oriented fund that would fill some of the gaps in the access to capital available for viable business development for the Manitoba First Nation Business community. Six initial programs under the FPEGF were designed to assist First Nation entrepreneurs and First Nation-owned businesses to leverage the capital needed to start, expand and acquire viable businesses based in Manitoba.

To help promote our new Fund, our staff has attended many Chiefs Assemblies and Trade shows as well as delivering many presentations to such audiences as local Chiefs and Councils, banks, other financiers and industry organizations including the Aboriginal Chamber of Commerce. As Chair, I have also attended meetings with our CEO to explain our new Fund. I want to acknowledge and thank our staff of four for their dedication to the organization and the clients we serve.

I have the privilege of serving on the Board with a very dedicated group of volunteers who bring a diversity of skills and a wealth of experience to the Fund. I am grateful for their active involvement, wise leadership, vision and dedication.

Since our inception we have had some challenges and some triumphs, and we have a lot of work to do before we fully realize the potential of our organization.

I look forward to the growth and changes that will positively impact Manitoba's economy and the First Nation business community for many years to come. On behalf of my fellow Board members, I wish to thank the visionary leaders of the Assembly of Manitoba Chiefs and the Province of Manitoba for initiating such a strong and independent organization which allows the Board the ability to make the tough business decisions necessary to ensure the steady growth and longevity of the Fund for the benefit of our future generations of business leaders.



Patricia Turner



## Chief Executive Officer's Message

Welcome to the launch of the First Peoples Economic Growth Fund Inc. (FPEGF). This Annual Report represents the first seven months of our operating life and it has been an exciting start. While the office was open to applicants at the beginning of September 2008 we really got going with our Grand Opening on September 23, 2008. I would like to thank all those who worked behind the scenes to get FPEGF set up. A special thanks goes out to the late Oscar Lathlin, Minister of Aboriginal and Northern Affairs who, along with Minister Dave Chomiak, Grand Chief Ron Evans, Chief Dennis Meeches and Chief Glen Ross, was instrumental in providing the vision for FPEGF.

Like the start of any new entity, FPEGF is building relationships that will last: relationships with our two founding members, the Assembly of Manitoba Chiefs and the Province of Manitoba; relationships with other financiers both public and private; relationship with suppliers; and most importantly relationships with our client base – the First Nation business community of Manitoba. FPEGF believes that each and every contact we have deserves the personalized and individualized treatment that comes with taking the time to understand the needs of others we work with. In particular each client gets hands-on personal service, and we are particularly proud to include the candid comments of many of our first clients in this Annual Report.

The result of investing the time and effort to get to know our clients' needs and help our clients to achieve their goals is evident in the quality of investments we have made in such diverse areas as the following: Trucking, Printing, Professional Services, Airlines and Outfitting. The impact on the Manitoba economy is significant as well. Through leveraging our capital we have been able to have a combined total investment of over \$1.0 Million dollars into the economy.

Also within our first seven months, with the support of our founding members, we have been able to negotiate the future expansion of our organization by adding a new program with new funding targeted to the Major Resource and Energy sectors of the Manitoba economy. Through this expansion we will help to increase the First Nation equity participation in major Energy and Resource based business ventures in the years to come.

Of course any organization is only as good as its people, and I am thrilled to work with an extremely dedicated staff of experienced professionals. As well, much of the credit for our initial and continued success goes to our highly knowledgeable, accomplished and diverse Board of Directors who have laid a solid foundation of strong leadership for our organization. The Board, which was jointly appointed by our founding members, represents a wealth of experience in such areas as entrepreneurship, accounting, commercial finance and law. Our Board and staff have embraced the challenge of starting a new organization and look forward to participating in the continued development of Manitoba's First Nation business community.



Ian Cramer



## Background of First Peoples Economic Growth Fund Inc.

A joint economic development initiative between the Manitoba government and the Assembly of Manitoba Chiefs (AMC) saw the creation of First Peoples Economic Growth Fund Inc.

First Peoples Economic Growth Fund Inc. (FPEGF) is an organization with the mandate to provide financing to support Manitoba First Nation business proposals that are economically viable.

The unique aspect of FPEGF is that it can provide a variety of support for First Nation-owned businesses through a diverse portfolio of programs. FPEGF may provide financing for business development and support in the following areas:

### Financing Programs

Joint Venture Program  
Community Economic Expansion Program  
Entrepreneur Loan Program  
Resource & Energy Investment Program

### Support Programs

Business Plan Assistance Program  
Professional Support Services (Aftercare) Program  
Skills Development Program

First Peoples Economic Growth Fund was established as an independent not-for-profit corporation. The Board of Directors will govern the fund under the Unanimous Members Agreement between the Assembly of Manitoba Chiefs and the Government of Manitoba.



*"The members of the Board are highly-respected members of the community who will provide invaluable assistance in making investment decisions in the best interests of First Nations peoples and all Manitobans," said the Honourable David Chomiak, Minister of Justice and Attorney General.*





## Board of Directors

The Board members bring a broad range of experience including corporate finance, accounting, commercial lending, law, First Nations economic development and entrepreneurship. The five members of the Board jointly appointed by AMC and the Government of Manitoba are as follows:



**Patricia Turner, FPEGF Chairperson**

CEO, ET Development Incorporated; co-founder of Aboriginal Chamber of Commerce



**Bob Silver, FPEGF Vice Chairperson**

President, Western Glove Works



**Bruce Burton, FPEGF Secretary/Treasurer**

Former BDC Assistant Vice President Commercial Credit; currently consultant to both Aboriginal and non-Aboriginal businesses



**Bob Brennan, FPEGF Director**

President and Chief Executive Officer,  
Manitoba Hydro



**Janesca Kydd, FPEGF Director**

Associate, Fillmore Riley LLP, with expertise in corporate, commercial and Aboriginal law.



## FPEGF Expands to Add the Resource & Energy Investment Program (REIP)

Late in the summer of 2008, FPEGF was approached by Indian and Northern Affairs Canada (INAC) and asked if they would be interested in applying for the opportunity to become a pilot project on a new financing program through the Economic Development Section. The intent of the new INAC program was to try and address some of the business needs and aspirations of First Nations in the area of meaningful participation in major developments. Be it major Resource developments or Energy developments, INAC realized that the First Nations were right – they needed an opportunity to be involved in a much more meaningful way.

To effectively increase the participation rate of First Nations in some amount of equity ownership of major developments and of support businesses to major developments, INAC was willing to finance some new approaches with some organizations that showed a significant prospect for success. In Manitoba, INAC first approached FPEGF because of our accomplished business Board of Directors, our governing structure, our coverage of the entire province of Manitoba, our management experience and our potential for access to further capital beyond what INAC could contribute.

Based on a few initial discussions the FPEGF Board gave management the green light to apply to INAC for this opportunity. FPEGF then engaged Meyers Norris Penny to coordinate the development of a business plan in three phases. The first phase was to determine the level and types of opportunities that may be available to the Manitoba First Nations in the Resource and Energy industries over the next three to five years. If there seemed to be enough opportunity to warrant further development, the second phase was to engage a team of industry experts to further discuss and focus on the best opportunities. Based on phase one and two, phase three was the development of a detailed business plan for FPEGF to operate a new Resource & Energy Investment Program. Within phase three, management had to source out additional funds that would be contributed to the Fund as required by INAC. The business plan was submitted to INAC in the early part of winter 2008/09.

INAC reviewed submissions from several organizations across the country and finally selected four pilot projects: one each in British Columbia, Saskatchewan, Manitoba and Quebec. The final Agreement was signed between INAC and FPEGF in March 2009.

FPEGF will contribute some of its own capital to the new REIP, to be combined with contributions from Manitoba Hydro and INAC. The new REIP of FPEGF will have a total of \$5.25 Million to cover operating costs as well as investments.

FPEGF looks forward to the challenge of creating a new program that will earn a reasonable return on investment, enough to keep the fund sustained for years and generations to come.





## Financing Programs

### Joint Venture Program

This program is intended to provide support for large-scale First Nations enterprises which, in the opinion of the Fund, have a business concept that, through initial screening, provides excellent opportunity.

#### **Nature of Financing:**

Financing is available for up to the lesser of \$1,000,000 or 50% of the total project costs (including identified startup costs and working capital). Minimum funding under this program will be \$200,000. Projects funded under this program must be for-profit and commercially viable with total project costs in excess of \$500,000. Priority will be given, but not restricted, to higher-end value-added projects.

### Community Economic Expansion Program

This program is intended to assist First Nation community-owned businesses for startup, expansions, or acquisitions. The intent is that these viable businesses will provide for the creation of wealth and jobs for First Nations.

#### **Nature of Financing:**

- a) Repayable Loan: The program can contribute up to the lesser of \$225,000 or 35% of the total project costs (including identified startup costs and working capital) as an interest-free loan.
- b) Non-Repayable Portion: Funding available is up to 35% of the total project costs (including identified startup costs and working capital) to a maximum of \$75,000. The funding may not be repayable. Should the business be sold or disposed of within three years of receiving a non-repayable contribution, it will become repayable immediately.

**Note:** Total financing from this program will not exceed 50% of the total project costs (including startup costs and working capital).

### Entrepreneur Loan Program

This program is intended to assist First Nation entrepreneurs by providing capital and/or working capital through subordinated interest-free loans that will enhance the applicant's ability to leverage financing from other institutions and agencies.

#### **Nature of Financing:**

Each loan will be for the lesser of \$200,000 per project, or 50% of the total project costs (including identified startup costs and working capital) identified in the business plan.

### Resource & Energy Investment Program (REIP)

The REIP will be available early in the 2009/10 fiscal year and is intended to provide debt or equity financing to large-scale businesses in either the Resource or Energy sectors of the Manitoba economy. All investments will be made in Manitoba to enhance the ownership and participation of First Nations or First Nation entrepreneurs in those businesses that show high potential for viability. Applicants must present a sound business plan.

#### **Nature of Financing:**

Typical financing available will be from \$500,000 to \$1,500,000 and will typically represent about 20% of the total financing.



## Support Programs

### Business Plan Assistance Program

This program is intended to provide support to Manitoba First Nation individuals or First Nation-based enterprises which, in the opinion of the Fund, have a business concept that, through initial screening, provides excellent opportunity, but demonstrates a need for financial assistance to develop a professional business plan.

This program allows the applicant to engage the services of a professional consultant to assist in the research and development of a quality business plan that will be used to attract financing for the business.

#### **Nature of Funding:**

Funding available is up to 75% of the costs, to a maximum of \$20,000. This funding is non-repayable. The client is expected to pay the first 25% of the costs.

### Professional Support Services (Aftercare) Program

This program is intended to provide professional support to new businesses that have obtained assistance under another FPEGF program in order to help improve the opportunity for success.

#### **Terms and Conditions:**

- Funding under this program is intended to allow the business to engage the services of a professional consultant to examine the operations of the business in order to identify areas that may require special attention.
- Funding is not intended for the development of interim or annual financial statements.

#### **Nature of Funding:**

Funding available is up to 75% of the costs to a maximum of \$20,000. Unused portions of the funding in any year will not be carried forward. The funding is non-repayable.

### Skills Development Program

This program supports rapid business readiness training for new and existing First Nations entrepreneurs to develop their management and marketing skills.

#### **Nature of Funding:**

- Funding is available up to 75% of the approved costs.
- The program funds only direct course costs such as tuition, workshop fees, and books.
- Living expenses are not included.
- The program is not intended to finance the acquisition of a degree or certificate.



## Guiding Principles

- The Fund will only support those projects that are **economically viable** and provide a positive return on investment to First Nations entrepreneurs, communities and FPEGF.
- **Leveraging** other investment dollars is critical to the growth of the First Nation's economy and must be demonstrated by every business proposal presented to FPEGF.
- **Capacity building** will be an important criteria in the decision-making processes, be it human capital, infrastructure or community capacity.
- **Job creation**, long-term and sustainable employment opportunities, in areas where there is high unemployment.
- A portion of the Fund will be targeted for projects originating in **rural and northern** Manitoba.
- All businesses receiving funding will have to meet or exceed prevailing **environmental and health standards**.
- FPEGF, while looking to assist businesses of high economic return, will also consider the **needs of the applicants**; in general, applications of exceptional merit with the greatest need will receive the highest priority.

## FPEGF Staff



L-R: Ian Cramer, Chief Executive Officer; Yvonne Dubois, Administrative Assistant; Joyce Lillie, Accountant/Office Manager; Daryl Bone, Senior Loans Manager



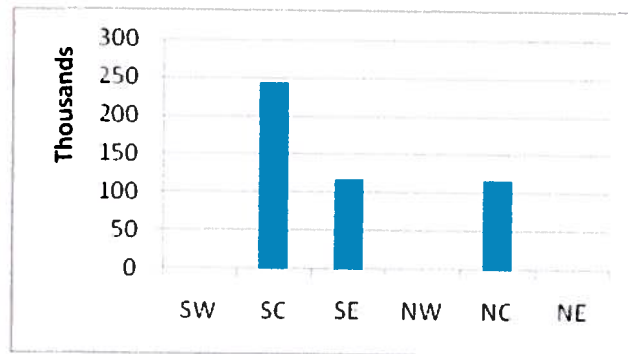


## Loans Approved

For Period September 23, 2008 to March 31, 2009

Type	Industry	Geographic Region	Jobs	Amount (a)	Leveraged (b)	Total (a + b)
E	Professional Services	SC	2	25,000	26,250	51,250
E	Transportation	SC	1	65,000	67,900	132,900
E	Printing	SC	1	153,888	155,426	309,314
E	Outfitting	SE	1	118,309	118,374	236,683
E	Transportation	NC	3	116,670	117,917	234,587
<b>Total</b>			<b>8</b>	<b>478,867</b>	<b>485,867</b>	<b>964,734</b>

### Loan Dollars Allocated by Region

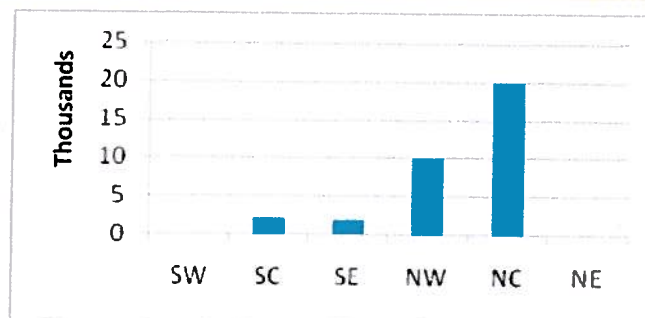


## Support Applications Approved

For Period September 23, 2008 to March 31, 2009

Type	Industry	Geographic Region	Amount (a)	Leveraged (b)	Total (a + b)
BP	Professional Services	SC	2,126	708	2,834
BP	Outfitting	SE	1,968	656	2,624
BP	Gas Bar	NW	10,125	3,375	13,500
BP	Transportation	NC	3,000	1,000	4,000
BP	Gas Bar	NC	7,500	2,500	10,000
BP	Fisheries	NC	9,450	3,150	12,600
<b>Total</b>			<b>34,169</b>	<b>11,389</b>	<b>45,558</b>

### Support Dollars Allocated by Region

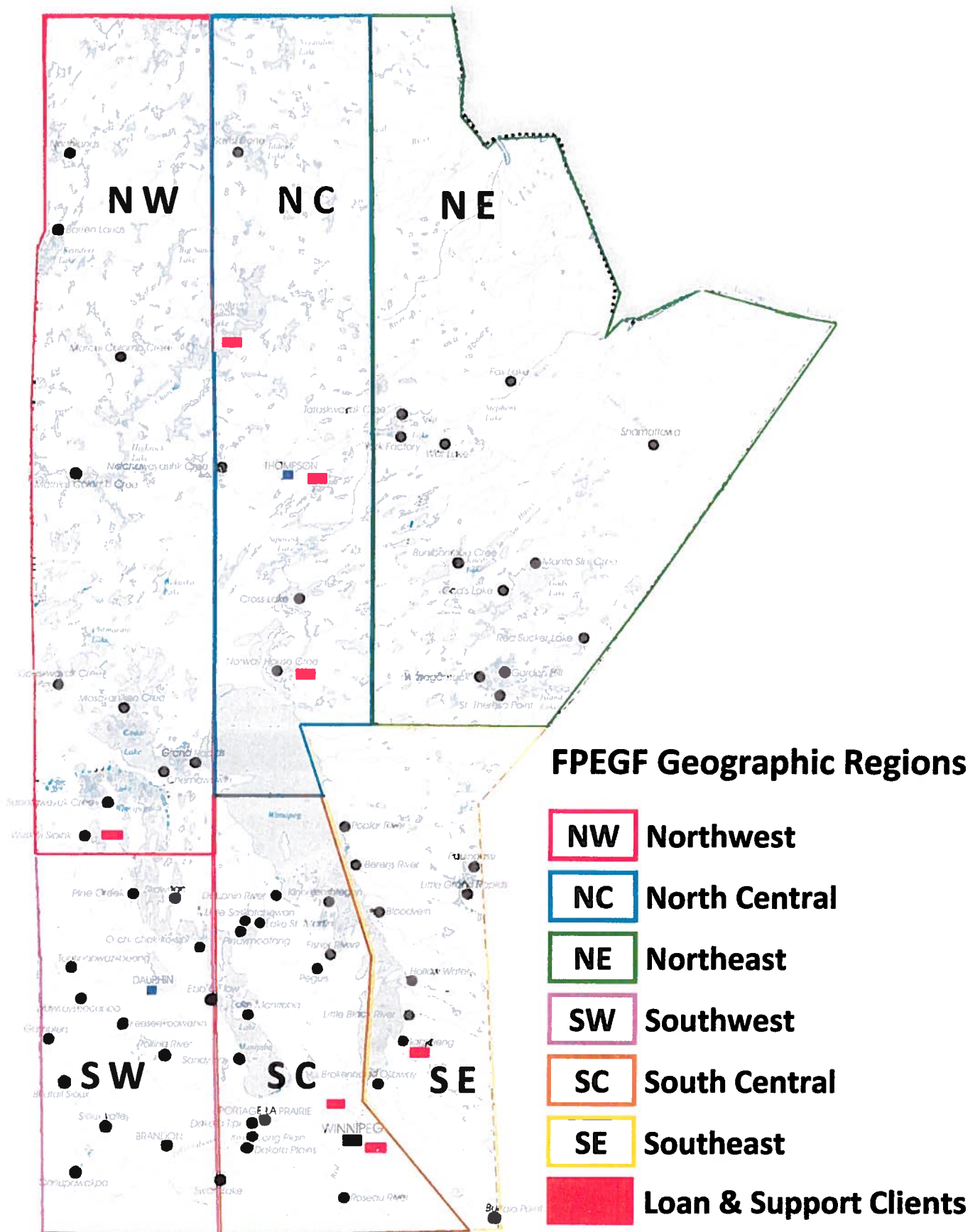


E – Entrepreneur Loan  
BP – Business Plan Assistance

CE – Community Economic Expansion  
PS – Professional Support Services (Aftercare)

JV – Joint Venture  
SD – Skills Development



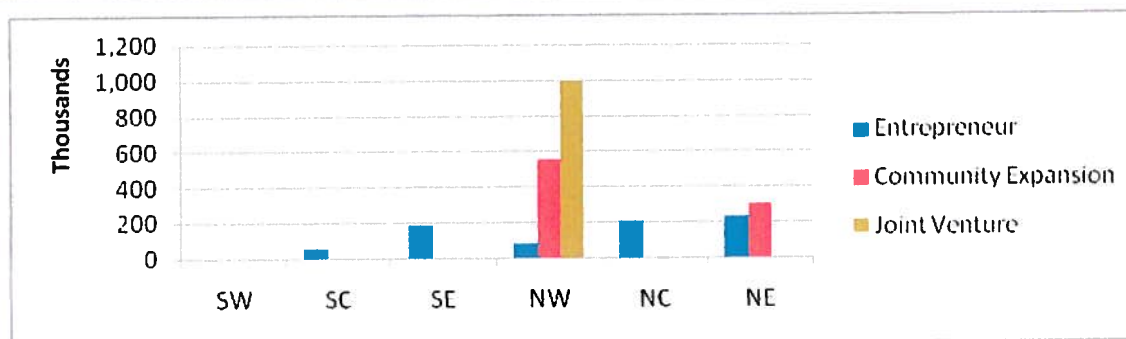


## Pending Loan Applications

As at March 31, 2009

Type	Industry	Geographic Region	Jobs	Amount (a)	Leveraged (b)	Total (a + b)
E	Professional Services	SC	4	46,900	50,000	96,900
E	Store	SE	10	181,000	181,000	362,000
E	Carpet Cleaning	NW	4	75,750	90,000	165,750
CE	Logging	NW	5	250,000	250,000	500,000
CE	Gas Bar	NW	22	300,000	3,950,000	4,250,000
JV	Logging	NW	25	1,000,000	3,100,000	4,100,000
E	Transportation	NC	9	200,000	682,000	882,000
E	Retail	NE	3	30,000	30,000	60,000
E	Fisheries	NE	7	200,000	402,000	602,000
CE	Gas Bar	NE	4	300,000	656,000	956,000
<b>Total</b>			<b>93</b>	<b>2,583,650</b>	<b>9,391,000</b>	<b>11,974,650</b>

## Potential Loan Dollars Allocated by Region

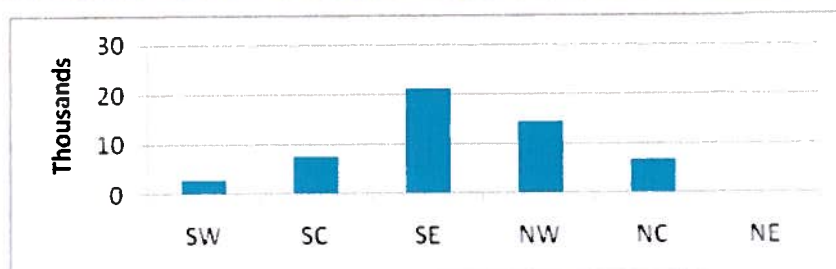


## Pending Support Applications

As at March 31, 2009

Type	Industry	Geographic Region	Amount (a)	Leveraged (b)	Total (a + b)
BP	Transportation	SW	2,835	945	3,780
BP	Transportation	SC	7,500	2,500	10,000
BP	Professional Services	SE	9,750	3,250	13,000
BP	Health	SE	11,419	34,256	45,675
BP	Retail	NW	14,569	4,856	19,425
BP	Hospitality	NC	6,750	2,250	9,000
<b>Total</b>			<b>52,823</b>	<b>48,057</b>	<b>100,880</b>

## Potential Support Dollars Allocated by Region





## Client Testimonials

### Tim Sweeny, Creeway Aviation



My name is Tim Sweeny, a proud Band member of the Cross Lake First Nation now residing in Thompson, Manitoba. It has always been a dream of mine to one day have my own aviation charter service. On June 15, 2009, Creeway Aviation opened its charter service out of Thompson with two Piper Navajo aircraft. I can now reflect back on the journey I have taken and gain satisfaction in the realization of a dream come true.

I started this journey 15 years ago by obtaining my pilot's license and then my Aircraft Maintenance Engineering License in 1998. I worked for various airlines gaining valuable knowledge and experience in all aspects of aviation. I first started Creeway Aviation in 2006 by building an aircraft hangar and opening up an aircraft maintenance shop in Thompson. In 2008, I decided to expand and began the process of looking to purchase an aircraft, leading to where I am now. I can say that it has been difficult at times with much personal sacrifice, but I have not done this all on my own. With the support of family, friends and organizations like First Peoples Economic Growth Fund it became possible to purchase an aircraft and develop the Aircraft Charter Operation.

Without programs like FPEGF, it would have made the process much more challenging as conventional lenders were less apt to take a chance on Creeway Aviation. FPEGF is a program that gives First Nations people real possibility and opportunity to achieve their goals. I am truly grateful for the time, assistance, flexibility and the belief in me to accomplish my dream that the staff and management at FPEGF put in. Thank you!



## Client Testimonials continued

### Brenda Parsons, All Nations Print Ltd.

My name is Brenda Parsons a member of Peguis First Nation in Manitoba. I own a small print and design shop in Winnipeg operating as All Nations Print Ltd. incorporated February 2002.



We built the business to \$500,000+ and were looking to go to the next level. Upon investigation of what the marketplace had to offer we found exactly what we were looking for, an environmentally friendly Presstek 34 DI press. There were many issues to overcome prior to purchasing this equipment, however, the most daunting was obtaining the capital for this expensive press.

We looked into what FPEGF had to offer and found their loan program and flexible terms were exactly what we needed to leverage additional financing required to purchase the equipment. The FPEGF loan program was instrumental in obtaining the required financing to expand the business to the next level where the possibilities are endless. The staff and management are professional and easy to work with. We are thankful for the opportunity FPEGF has opened to All Nations Print Ltd. through their loan program and highly recommend them.



## Client Testimonials continued

### Leah Ballantyne, Leah Ballantyne Law Corporation



Ian Cramer, CEO, FPEGF, presenting Leah Ballantyne with her loan

Tansi. My name is Leah Ballantyne from the Mathias Colomb First Nation in Pukatawagan, Manitoba. I followed my dream and became a lawyer in August 2008. My immediate goal was to start my own small law practice.

While working on my business plan, I became aware of First Peoples Economic Growth Fund (FPEGF). I applied to FPEGF and, not only did they assist me with my loan application, they became instrumental to the development of my overall business plan through professional referrals, guidance and financial support.

FPEGF provided me with the capital and economic tools I needed to establish and develop my law practice for the betterment of all my clients, including First Nations. As the first lawyer from my community, I am grateful for the time and assistance that the staff and management at FPEGF invested in my business. Ekosi.





# **First Peoples Economic Growth Fund Inc.**

Financial Statements  
**March 31, 2009**



August 6, 2009

## Auditors' Report

**To the Directors of  
First Peoples Economic Growth Fund Inc.**

We have audited the statement of financial position of **First Peoples Economic Growth Fund Inc.** as at March 31, 2009 and the statements of revenue, expenditures and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.



# First Peoples Economic Growth Fund Inc.

## Statement of Financial Position

As at March 31, 2009

	2009 \$	2008 \$
<b>Assets</b>		
Cash and cash equivalents (note 3)	6,472,617	433,304
Accrued interest and other receivables	56,951	5,399
Contribution receivable from the Province of Manitoba (note 7(b))	23,168	3,109,920
Contribution receivable from the Aboriginal Business Canada of Indian and Northern Affairs Canada (note 7(c))	14,823	-
Prepaid expenses	6,762	11,684
Loans receivable (note 4)	363,973	-
Capital assets (note 5)	115,647	95,958
	<u>7,053,941</u>	<u>3,656,265</u>
<b>Liabilities</b>		
Accounts payable	51,089	66,518
Deferred revenue	4,762	-
	<u>55,851</u>	<u>66,518</u>
<b>Net assets</b>	<u>6,998,090</u>	<u>3,589,747</u>
	<u>7,053,941</u>	<u>3,656,265</u>
<b>Restrictions and commitments (note 8)</b>		

Approved by the Board of Directors

 Director

 Director





# First Peoples Economic Growth Fund Inc.

## Statement of Revenue, Expenditures and Net Assets

For the year ended March 31, 2009

	2009 \$	2008 \$
<b>Revenue</b>		
Contribution - Province of Manitoba		
Start-up (note 7(a))	-	500,000
Annual (note 7(b))	3,858,168	3,109,920
Contribution - Aboriginal Business Canada of Indian and Northern Affairs Canada		
Start-up (note 7(c))	100,000	-
Interest on short-term investments	128,341	7,145
Interest on loans receivable (note 4)	1,915	-
Loan fee	47	-
	<u>4,088,471</u>	<u>3,617,065</u>
<b>Assistance costs</b>		
Program expenses (note 4)	<u>127,617</u>	<u>-</u>
<b>Excess of revenue over expenses before administrative costs</b>	<u>3,960,854</u>	<u>3,617,065</u>
<b>Administrative costs</b>		
Advertising and promotion	30,947	-
Amortization of capital assets	31,292	-
Bank charges	399	4
Equipment expense	12,694	-
Insurance	3,235	-
Office expenses	35,822	51
Professional fees	51,432	20,190
Recruiting	4,510	7,073
Rent	31,724	-
Resource and Energy Investment Program expenses (note 7(c))	100,201	-
Salaries and benefits	236,171	-
Travel and conferences	14,084	-
	<u>552,511</u>	<u>27,318</u>
<b>Excess of revenue over expenses</b>	<u>3,408,343</u>	<u>3,589,747</u>
<b>Net assets - Beginning of year</b>	<u>3,589,747</u>	<u>-</u>
<b>Net assets - End of year</b>	<u>6,998,090</u>	<u>3,589,747</u>



# First Peoples Economic Growth Fund Inc.

## Statement of Cash Flows

For the year ended March 31, 2009

	2009 \$	2008 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses	3,408,343	3,589,747
Items not affecting cash		
Amortization	31,292	-
Non-cash interest revenue	(1,915)	-
Non-cash program expenses	113,734	-
	<u>3,551,454</u>	<u>3,589,747</u>
Net change in other non-cash working capital items	<u>3,014,632</u>	<u>(3,060,485)</u>
	<u>6,566,086</u>	<u>529,262</u>
<b>Investing activities</b>		
Loans granted	(478,867)	-
Loan repayments	3,075	-
Purchase of capital assets	(50,981)	(95,958)
	<u>(526,773)</u>	<u>(95,958)</u>
<b>Increase in cash and cash equivalents</b>	6,039,313	433,304
<b>Cash and cash equivalents - Beginning of year</b>	<u>433,304</u>	<u>-</u>
<b>Cash and cash equivalents - End of year</b>	<u>6,472,617</u>	<u>433,304</u>



# First Peoples Economic Growth Fund Inc.

Notes to Financial Statements

March 31, 2009

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## 1 Incorporation

First Peoples Economic Growth Fund Inc. ("the Corporation") was incorporated as a corporation without share capital under the Corporations Act (Manitoba) on October 3, 2007. The Province of Manitoba, as represented by the Minister of Aboriginal and Northern Affairs ("the Province"), and the Assembly of Manitoba Chiefs Secretariat Inc. ("AMC") are the sole voting members of the Corporation.

## 2 Nature of the Corporation

On October 3, 2007, the Province and AMC entered into a Unanimous Members Agreement that sets out the Program Principles and Program Outlines under which the Corporation will operate. The Program Principles include:

- Supporting those projects that are economically viable and provide a positive return on investment to First Nations entrepreneurs, communities, the Corporation and its sponsors;
- Leveraging investments in First Nations enterprise and giving priority to those projects that can act as a catalyst for further economic development;
- Enabling First Nation's human capital, infrastructure or community capacity;
- Creating jobs, particularly long-term and sustainable employment opportunities in communities where there is high unemployment; and
- Meeting or exceeding prevailing environmental and health standards as set out by legislation, regulation and/or municipal codes.

Furthermore, while considering for projects of high economic return, the Corporation will also consider the relative need of the applicants. In general, applications of exceptional merit with the greatest need will receive the highest priority. Furthermore, a portion of the Corporations programs and activities will be reserved for projects originating in rural and northern Manitoba.

While the Program Outlines may from time to time be amended by the Corporation Board of Directors, to begin with, the Corporation will offer the following programs:

- Business plan assistance
- Skills development
- Entrepreneurial loans
- Community economic expansion
- Joint venture investment
- Professional support services (after care)





# First Peoples Economic Growth Fund Inc.

## Notes to Financial Statements

March 31, 2009

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On March 25, 2009, the Corporation and the Department of Indian Affairs and Northern Development ("INAC") entered into an agreement to create a \$5,250,000 Resource and Energy Investment Program ("REIP"). The REIP will be funded as follows: INAC \$3,000,000, the Corporation \$1,500,000 and Manitoba Hydro \$750,000. The programs and goals of the REIP will focus on the following:

- To be a self-sustaining, revolving capital pool that will grow and ultimately create sustainable First Nation economic development in the resource and energy section of Manitoba.
- Leverage private industry partner investment financing from financial institutions or other non-governmental services, and other equity investment.

The program and goals of the REIP will be administered through two types of investments - sub-debt and equity financing. The REIP is an investment fund - there will be expectations of a return, however it will consider requirements for "patient capital", where returns may be deferred during a development period. Sub-debt will typically include medium term loans that would take a subordinate security position to bank financing, typically for a higher rate of interest. Equity financing may take several forms such as partnership units, common equity or preferred shares with fixed dividend provisions or returns based on available profits. The shares may also be redeemable or convertible in defined circumstances. Activities of the REIP have not yet commenced and are not included in these financial statements.

### 3 Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

#### Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses at period end. The most significant estimate is the provision for contributions receivable. Actual results could differ from those estimates.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and guaranteed investment certificates that can be redeemed at any time at the request of the Corporation.

#### Loans receivable

Loans are initially recognized at fair value and are subsequently recorded at amortized cost using the effective interest method of amortization. Loans are stated net of an allowance established to recognize estimated probable losses. Loans are written off when there is no realistic prospect of recovering the loan in full. Recoveries on loans previously written off are taken into income.



# First Peoples Economic Growth Fund Inc.

Notes to Financial Statements

March 31, 2009

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## Allowance for loan losses

The Corporation maintains allowances for doubtful loans that reduce the carrying value of loans identified as impaired to their estimated realizable amounts. A loan is considered impaired if the Corporation no longer has reasonable assurance that the full amount of the principal and interest will be collected in accordance with the terms of the loan agreement. Estimated realizable amounts are determined by estimating the fair value of security underlying the loans and deducting costs of realization, or by discounting the expected future cash flows at the effective interest rate. Changes in the estimated realizable amounts arising subsequent to initial impairment recognition are recorded as a charge or credit for loan impairment.

## Revenue recognition

Contribution revenue received or receivable pursuant to the agreement with the Government is recognized as revenue if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest revenue on loans receivable is recorded as income using the effective interest rate method except for loans which are considered impaired. Recognition of income ceases when it becomes apparent that the loan is impaired.

Interest on short-term investments is recognized as income when earned.

Loan fees are recognized over the term of the respective loan.

## Capital assets and amortization

Capital assets are recorded at cost. Normal repair and maintenance costs are expensed as incurred. Amortization is as follows:

Leasehold improvements	Term of the lease plus one renewal period
Office furniture	20% straight-line
Computer equipment	50% straight-line
Computer software	50% straight-line
Website development	20% straight-line

## Income taxes

The Corporation is a not-for-profit organization and accordingly, is not subject to income taxes under provisions of the Income Tax Act.

(3)



# First Peoples Economic Growth Fund Inc.

Notes to Financial Statements

March 31, 2009

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## Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Corporation's designation of such instruments.

### *Classification*

Cash and cash equivalents  
Accrued interest and other receivables  
Contributions receivable  
Loans receivable  
Accounts payable

Held for trading  
Loans and receivables  
Loans and receivables  
Loans and receivables  
Other liabilities

## Change in accounting policy

The following accounting standard change referenced by the Canadian Institute of Chartered Accountants ("CICA") handbook sections are effective for the Company's fiscal year beginning April 1, 2008:

### *Assessing going concerns*

The Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400, "*General Standards of Financial Statement Presentation*", to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events and conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. The Corporation adopted the new standard effective April 1, 2008. The adoption of this section did not impact the financial statements for the year ended March 31, 2009.

## Future accounting policies

### *Financial instruments*

Disclosures - The AcSB issued CICA 3862, "*Financial Instruments - Disclosures*", which establishes required qualitative disclosures related to the significance of financial instruments on the entity's financial position, results of operations, and the nature and extent of risks arising for financial instruments to which the entity is exposed, including how the entity manages those risks.





# First Peoples Economic Growth Fund Inc.

Notes to Financial Statements

March 31, 2009

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Presentation - The AcSB issued CICA 3863, "*Financial Instruments - Presentation*", which carries forward unchanged the presentation requirements of CICA 3861, "*Financial Instruments - Disclosure and Presentation*." CICA 3863 addresses the classification of financial instruments between liabilities and equity, the classification of related interest, dividends, losses and gains and circumstances in which financial assets and liabilities are offset.

These standards are effective for fiscal years beginning on or after August 1, 2008. Management is currently assessing the impact of these proposed changes on the Corporation's financial statements.

## **Not-for-profit organizations**

In September 2008, the CICA issued a series of amendments to existing standards for not-for-profit organizations ("NPOs") and a new Section 4470, Disclosures of Allocated Expenses by Not-for-Profit Organizations.

The main changes are to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets, and to clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions. These amendments also make the standards on cash flow statements and interim financial statements applicable to not-for-profit organizations.

The changes are intended to improve financial reporting by NPOs and make NPO standards consistent with those of profit-oriented enterprises when they address the same issues.

The amendments and new Section 4470 are effective for fiscal years beginning on or after January 1, 2009, and require retroactive application to prior period financial statements.

Management is currently assessing the impact of the amendments and Section 4470 on the Corporation's financial statements.

## **CICA 1535 Capital Disclosures**

The AcSB issued CICA 1535, "*Capital Disclosures*", which the Corporation must apply for its fiscal year beginning on or after August 1, 2008. CICA 1535 requires an entity with externally imposed capital requirements to disclose the nature of those requirements and how an entity manages its capital to meet them. Furthermore, the entity is required to disclose compliance with the requirements and if it has not complied, the consequences of such non-compliance.



# First Peoples Economic Growth Fund Inc.

## Notes to Financial Statements

March 31, 2009

### 4 Loans receivable

Loans are recorded at their fair value, net of allowance for loan losses and are summarized below:

	Gross loans granted \$	Fair value discount \$	Payments \$	Accreted interest \$	Carrying amount at March 31, 2009 \$
Commercial loans	478,867	(113,734)	(3,075)	1,915	363,973

Loans carry a stated rate of 0% and are adjusted at inception, to fair value using a discount rate of 8%. Interest revenue accretes on the loans at a rate equal to the discount rate used at inception resulting in the carrying amount of the loans of \$363,973. The Corporation estimates the carrying value of the loans to approximate, at March 31, 2009, the fair value

Included within program expenses, the Corporation has recorded the \$113,734 discount relating to the difference between the gross amount of loan proceeds granted and the fair value of the loans at inception.

During the year, non-cash interest revenue of \$1,915 was recorded.

It is management's belief that none of the outstanding loans require an allowance for loan losses.

### 5 Capital assets

Capital assets are as follows:

	2009		2008	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Leasehold improvements	26,143	6,477	19,666	16,443
Office furniture	94,552	17,660	76,892	73,776
Computer equipment	7,533	3,276	4,257	5,258
Computer software	10,470	2,271	8,199	481
Website development	8,241	1,608	6,633	-
	146,939	31,292	115,647	95,958



# First Peoples Economic Growth Fund Inc.

Notes to Financial Statements

March 31, 2009

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## 6 Financial instruments

Canadian generally accepted accounting principles require the disclosure of information about the fair values of its financial assets and liabilities. Fair value is the amount of the consideration that would be expected upon in an arm's length transaction between knowledgeable, willing third parties who are under compulsion to act.

The fair value of cash and cash equivalents, accrued interest and other receivables, contributions receivable and accounts payable approximates their carrying amount due to their relatively short-term nature.

The fair value of the loans due to the Corporation cannot be reliably measured as replacement financing does not currently exist.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest and currency risk arising from financial instruments.

### Credit risk

Credit risk is the risk that the individual or their business will be unable to pay amounts in full when they become due. In order to reduce its credit risk, the Corporation has adopted credit policies which include the analysis of the borrower's net worth, credit rating, financial viability of the business, personal guarantees and subordinate positions as collateral.

## 7 Funding commitment

- a) On November 2, 2006, the Province and the Corporation entered into a start-up funding agreement that provided for the receipt of \$500,000 by the Corporation.
- b) On April 1, 2008, pursuant to the Unanimous Members Agreement, the Province and the Corporation entered into a five year funding agreement that will see the Corporation receive annual contributions from the Province varying based on the net income of the Manitoba Lotteries Corporation. The agreement calls for a minimum level of contribution equal to:

	\$
Fiscal year ending March 31, 2010	3,900,000
2011	4,420,000
2012	5,200,000

The Corporation has accrued actual contributions of \$23,168 and received \$3,835,000 related to the March 31, 2009 fiscal year.



# First Peoples Economic Growth Fund Inc.

## Notes to Financial Statements

March 31, 2009

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- c) On September 23, 2008, the Corporation and Aboriginal Business Canada of Indian and Northern Affairs Canada ("ABC") entered into an agreement that would see the ABC pay the Corporation \$100,000 for the development of a business plan to present to the ABC for the REIP (note 2). As at year end, the Corporation has received \$85,177 of this funding with the remaining \$14,823 accrued for the March 31, 2009 fiscal year. Actual costs to develop the business plan amounted to \$100,201.

### 8 Restrictions and commitments

- a) The Corporation's disbursements are limited to "eligible assistance cost" for the purpose described in note 2 and "eligible administrative costs" which include wages and benefits, general office overhead, insurance and professional fees as defined in the funding agreement referred to in 7(b).
- b) The Corporation has approved, but not yet disbursed, assistance related to business plan amounting to \$20,625.
- c) Operating leases

The Corporation has entered into an operating lease agreement for office space and various equipment. The aggregate minimum annual cash rental payments under lease agreements are as follows:

	\$
March 31, 2010	49,917
2011	49,917
2012	10,920
2013	10,920
2014	2,730

- d) Indemnification of directors and officers

The Corporation has agreed to indemnify its directors to the extent permitted by law against any and all charges, costs, expenses and amounts paid in settlement and damages incurred by them as a result of any lawsuit or any other judicial administrative or investigative proceeding in which they are sued as a result of their service.

- e) The Corporation's capital is limited to the amounts provided under the agreements described in note 7.
- f) Under term of its Unanimous Members Agreement, the Corporation cannot borrow or enter into any form of indebtedness.

### 9 Subsequent event

In April 2009, the Corporation received \$3,000,000 from INAC related to its contribution towards the REIP (note 2).

(8)





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# **FIRST PEOPLES**

## **economic growth fund**

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