

Greetings



The Manitoba government congratulates the board of directors, management and staff of the First Peoples Economic Growth Fund as you present your annual report.

Aboriginal economic development continues to be a key contributor to our province's economy. Your work is helping to promote entrepreneurship, create jobs, develop communities and inspire cultural pride, resulting in a stronger, more prosperous Manitoba for everyone. I wish you continued success.

**Eric Robinson, Minister
Aboriginal and Northern Affairs**



On behalf of the Assembly of Manitoba Chiefs, I am pleased to congratulate the First Peoples Economic Growth Fund on another year of valuable contribution to First Nations economic development and entrepreneurship.

As we move towards stronger and healthier communities, there is no doubt that economic development and job creation will play an important role. With each meaningful employment opportunity our people are better positioned to care for themselves and their families and contribute to their respective communities. I am pleased to hear of the number of jobs created and maintained for First Nations people with the assistance of the Fund.

I acknowledge the Board of Directors and the staff of the First Peoples Economic Growth Fund for their diligent efforts to operate the Fund for the benefit of First Nations people in Manitoba. There are many complicated processes required to establish a business and to ensure its viability and I acknowledge that the Fund provides expert assistance to First Nations people at the various stages.

Meegwetch, Ekosi, Wopida, Mahsi Cho, for your dedication to our entrepreneurs.

Sincerely,

ASSEMBLY OF MANITOBA CHIEFS

A handwritten signature in black ink, likely belonging to Derek J. Nepinak.

**Niibin Makwa
Derek J. Nepinak, LLB, B.A.(Hons.)
Grand Chief, Assembly of Manitoba Chiefs**



Background of FPEGF Inc.

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

First Peoples Economic Growth Fund Inc. 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



FIRST PEOPLES
economic growth fund

Support Programs

- Business Plan Assistance Program
- Aftercare Program
- Skills Development Program
- Business Contribution Fund

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

Board of Directors

The Board members bring a broad range of experience including corporate finance and accounting, business management, First Nations economic and regional development and entrepreneurship. The five members of the Board jointly appointed by AMC and the Province 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



**Bob Brennan,
FPEGF Secretary/Treasurer**

Retired;
former President and
Chief Executive Officer,
Manitoba Hydro



**Joe Malcolm,
FPEGF Director**

former Tribal Director
of Southeast Resource
Development Council



**Rosa Walker,
FPEGF Director**

President and Chief Executive Officer,
Indigenous Leadership
Development Institute Inc.

Joint Message from the Board Chair & CEO

The 2012/13 fiscal year has been our most productive year to date. This year our organization approved 17 loans/investments representing \$5.8 million.

Our \$5.8 million invested into our clients' businesses has leveraged another \$17.9 million for a total \$23.7 million impact. This has helped create 94 new jobs and maintain another 47 jobs.

In addition to those 17 loan/investment approvals, FPEGF approved 25 support applications for Business Plan Development, Aftercare and Skills Development. These contributions help our clients' chances of success. The 25 support approvals represent a total of over \$235,000 input into the Manitoba economy.

The fundamental purpose of our support programs is to help clients build a strong foundation in order to enhance their success and increase their profitability while building their own capacity to manage their businesses.

This fiscal year also saw FPEGF receive official recognition by Aboriginal Affairs and Northern Development Canada (AANDC) as an Aboriginal Financial Institution. We subsequently joined National Aboriginal Capital Corporation Association (NACCA) as a full member which gives FPEGF access to all the NACCA programming, including staff training dollars. It also gives FPEGF access to a Canada-wide network of similar organizations.

During the summer of 2012 we submitted our business plan to take over the delivery of the Aboriginal Business Development Program (ABDP) fund from AANDC. In the fall of 2012 we were selected to deliver the program to First Nation businesses in Manitoba, and we have subcontracted delivery in the north to North Central Community Futures Development Corporation. We signed an agreement with AANDC in the winter of 2013 and began to deliver the program, which we call the Business Contribution Fund, for 14 months, ending March 2014. We hope AANDC will continue to outsource this fund into the future.

We have come to the end of our funding arrangement for our Resource & Energy Investment Program with AANDC and all the money from AANDC has been invested.

Our first funding agreement with the Province of Manitoba ended March 31, 2013. We look forward to finalizing a new long term funding arrangement in the near future. We would like to take this opportunity to thank the Assembly of Manitoba Chiefs and the Province of Manitoba for their continued support. During the period from September 2008 to March 2013, we approved 63 loans and 76 support applications for a total of \$14,097,901, which was used to leverage another \$37,410,580 for a total of \$51,508,481 of capital into the Manitoba economy.

Finally, we thank our clients for continuing to choose to work with us, for telling others about us and for being positive role models for future entrepreneurs. Your success is our success.



Patricia Turner
Chair of the Board



Ian Cramer
CEO

Patricia Turner
Chair of the Board

Ian Cramer
CEO

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 is desirable.
- 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 to R: **Ian Cramer**, CEO; **Yvonne Dubois**, Executive Assistant/Loans Administrator;
Jacqueline Guiboche, Receptionist/Administrative Assistant;
Joyce Lillie, Accountant/Office Manager; **Daryl Bone**, Senior Loans Manager

Financing Programs

Joint Venture Program

This program is intended to provide support for large-scale Manitoba First Nations enterprises which, in the opinion of the Fund, have a business concept that, through initial screening, provides excellent opportunity. The First Nation or First Nation entrepreneur must own at least 51% of the business.

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). Appraisal of the project costs may be required. 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 Manitoba 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.

Small and medium sized viable businesses owned by a Manitoba First Nation may be eligible for an interest free loan up to \$300,000 or 50% of the total project costs (including identified startup costs and working capital). Appraisal of the project costs may be required. At the end of the loan, if the business is still in operation, has not been sold and all loan payments have been made consistently, up to \$75,000 or 25% of the total loan (whichever is less) may be forgiven.

Entrepreneur Loan Program

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

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. Appraisal of the project costs may be required.

Resource & Energy Investment Program (REIP)

The REIP is intended to provide debt or equity financing to large-scale businesses in either the Resource or Energy sector 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.

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, independent 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.

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.

Aftercare Program

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

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.

Funding available is up to 75% of the costs to a maximum of \$20,000. Approved funding must be used within two years. 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.

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.

Business Contribution Fund

This program is available to eligible First Nation businesses in Manitoba. Contributions may be made towards a start-up, expansion or acquisition of a viable business. Maximum contribution towards a business owned by a First Nation individual is up to 40% of eligible costs to a maximum of \$99,999. Maximum contribution towards a business owned by a Manitoba First Nation or group of Manitoba First Nations is up to 40% of eligible costs to a maximum of \$250,000.

Besides a contribution towards capital and operating as summarized above, FPEGF will also consider providing a non-repayable contribution of up to 75% of the cost for the development of an independent business plan. As well we may contribute up to 75% towards environmental assessments when required, 60% towards marketing costs and 75% towards business support (training, aftercare, management).

Approved Loans and Support Applications

Loans Approved For Period April 1, 2012 to March 31, 2013

Type Industry	Geographic Region	Jobs Created	Amount (a)	Leveraged* (b)	Total (a + b)
CE* Grocery Stores	SW	4	300,000	348,263	648,263
EL Sign Manufacturing	NC	3	32,750	33,077	65,827
EL Air Transportation	NC		28,507	28,793	57,300
EL Site Preparation Contractors	NC	2	150,000	151,500	301,500
EL Printing and Related Support Activities	SC		14,850	14,998	29,848
EL* Site Preparation Contractors	SC	1	94,600	95,546	190,146
EL Mobile Food Services	SC	3	25,000	35,645	60,645
EL Fishing	SC	1	8,500	10,985	19,485
EL Fishing	SC	1	13,000	13,130	26,130
EL Fishing	SC		11,468	11,583	23,051
EL Fishing	SC		9,600	15,396	24,996
EL* Fishing	SE	1	15,000	15,150	30,150
EL Limited Service Eating Places	SE	28	200,000	266,388	466,388
JV* Grocery Stores	NC	28	1,000,000	4,510,000	5,510,000
JV Grocery Stores	SC	2	385,000	373,850	758,850
RE Oil and Gas Extraction	SC		2,000,000	6,930,000	8,930,000
RE Food Manufacturing	SC	20	1,500,000	5,120,000	6,620,000
Total 17 Loans Approved		94	5,788,275	17,974,304	23,762,579

* Loan dollars have not been disbursed as at March 31/13. Commitments will be disbursed once all Loan Terms and Conditions are met.

° Capital Contributions of \$173,679 from FPEGF's new Business Contribution Fund are included in "Leveraged" above.

Grand Total from September 23, 2008 to March 31, 2013

63 Loans Approved	Jobs Created	Amount	Leveraged	Total
	292	13,554,511	37,169,009	50,723,520

CE – Community Economic Expansion

EL – Entrepreneur Loan

JV – Joint Venture

RE – Resource & Energy Investment

Support Applications Approved For Period April 1, 2012 to March 31, 2013

Type Industry	Geographic Region	Amount (a)	Leveraged* (b)	Total (a + b)
AC* Grocery Stores	NW	7,542	2,514	10,056
AC Automotive Repair and Maintenance	NC	2,790	930	3,720
AC* Grocery Stores	SW	1,815	1,761	3,576
BP* Gasoline Stations with Convenience Stores	NW	15,000	5,000	20,000
BP* Site Preparation Contractors	NW	2,625	875	3,500
BP* Mobile Food Services	NC	5,250	1,750	7,000
BP Grocery Stores	NC	18,750	6,250	25,000
BP* Oil Seed and Grain Farming	SW	481	6,134	6,615
BP* Clothing Accessories and Other Clothing Manufacturing	SW	5,625	1,875	7,500
BP Limited Service Eating Places	SW	4,200	1,400	5,600
BP* Pet Care (except Veterinary) Services	SC	7,500	2,500	10,000
BP* Seafood Product Preparation and Packaging	SC	9,000	3,000	12,000
BP* General Merchandise Stores	SC	4,575	1,525	6,100
BP* Lessors of Real Estate	SC	4,300	12,500	16,800
BP* Local Credit Unions	SC	14,000	10,000	24,000
BP* Grocery Stores	SE	3,780	1,260	5,040
BP* Waste Management and Remediation Services	SC	1,800	600	2,400
BP* Motion Picture and Video Production	SC	9,375	3,125	12,500
BP Grocery Stores	SC	10,269	3,423	13,692
BP* Truck Transportation	SC	3,750	1,250	5,000
BP Mobile Food Services	SC	1,575	525	2,100
BP Limited Service Eating Places	SE	15,000	5,000	20,000
BP* General Merchandise Stores	SE	5,670	1,890	7,560
SD* Carpet and Upholstery Cleaning Services	NW	4,536	1,512	6,048
SD Automotive Repair and Maintenance	NC	1,125	375	1,500
Total 25 Support Applications Approved		160,333	76,974	237,307

* Support dollars have not been disbursed as at March 31/13. Actual disbursement may be less.

° Business Plan and Support Services Contributions of \$12,780 from FPEGF's new Business Contribution Fund are included in "Leveraged" above.

Grand Total from September 23, 2008 to March 31, 2013

76 Support Applications Approved	Amount	Leveraged	Total
	543,390	241,571	784,961

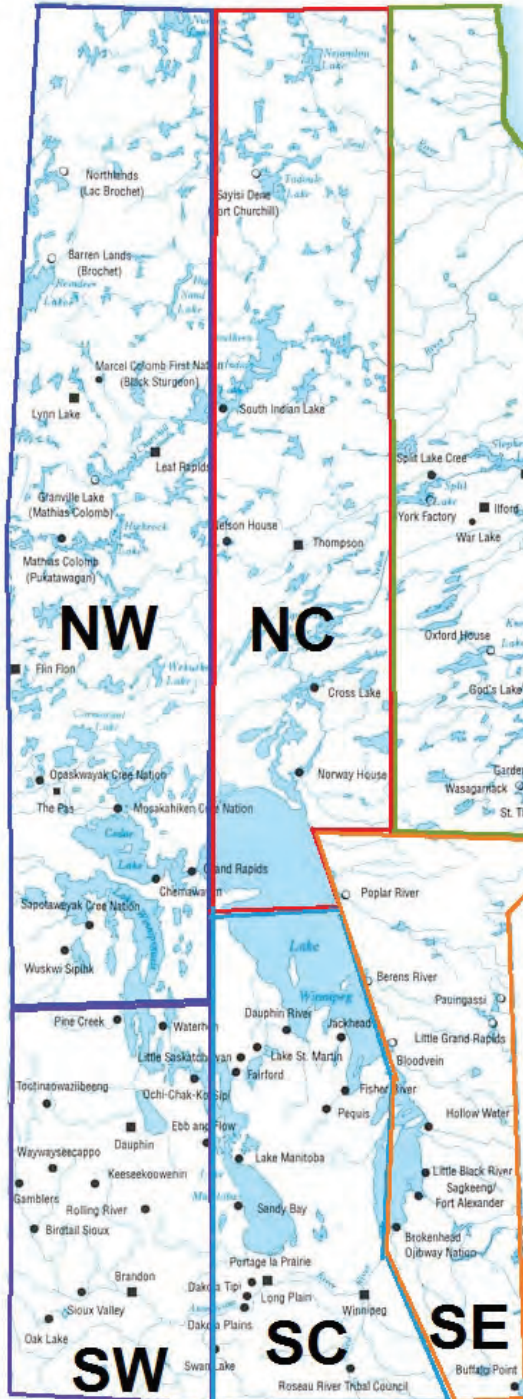
AC – Aftercare

BP – Business Plan Assistance

SD – Skills Development

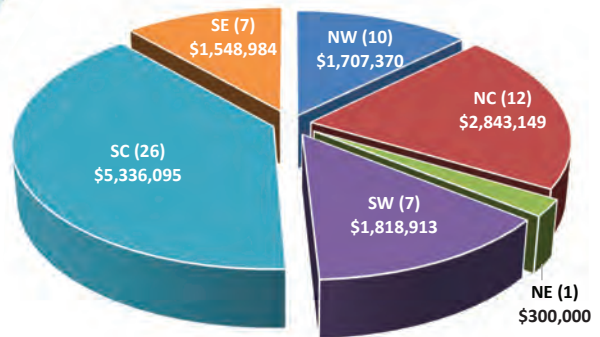
Approvals by Geographic Region

September 23, 2008 to March 31, 2013

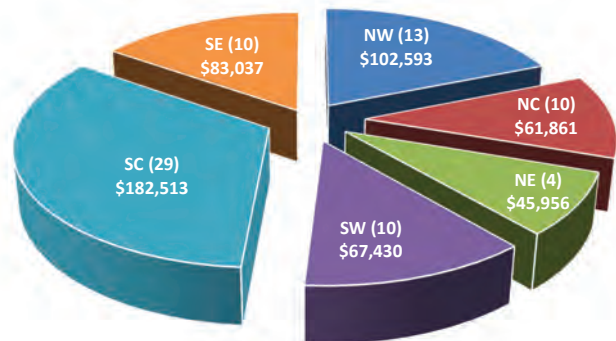


NW – Northwest
 NC – North Central
 NE – Northeast
 SW – Southwest
 SC – South Central
 SE – Southeast

63 Loans = \$13,554,511



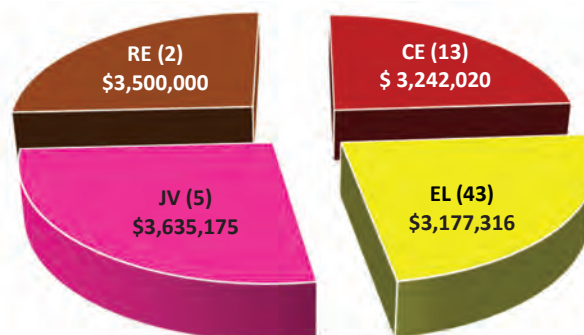
76 Support Applications = \$543,390



Approvals by Program

September 23, 2008 to March 31, 2013

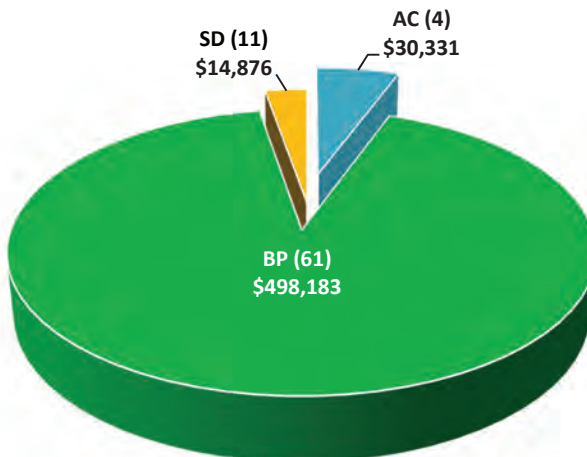
63 Loans = \$13,554,511



CE – Community Economic Expansion
JV – Joint Venture

EL – Entrepreneur Loan
RE – Resource & Energy Investment

76 Support Applications = \$543,390



AC – Aftercare

BP – Business Plan Assistance

SD – Skills Development

FPEGF's Newest Program

Business Contribution Fund

On February 11, 2013, First Peoples Economic Growth Fund began the delivery of the Business Contribution Fund (BCF).

This program is available to eligible First Nation businesses in Manitoba. Key program guidelines are as follows:

- Maximum contribution towards a business owned by a First Nation individual is up to 40% of eligible costs to a maximum of \$99,999.
- Maximum contribution towards a business owned by a Manitoba First Nation or group of Manitoba First Nations is up to 40% of eligible costs to a maximum of \$250,000.
- Contributions may be made towards a start-up, expansion or acquisition of a viable business.
- Besides a contribution towards capital and operating as summarized above, FPEGF will also consider providing a non-repayable contribution of up to 75% of the cost for the development of an independent business plan. As well we may contribute up to 75% towards environmental assessments when required, 60% towards marketing costs and 75% towards business support (training, aftercare, management).
- When a contribution is made, there is a control period of generally three years. During the control period, financial statements must be prepared and submitted along with a "Business Performance Review." If the business does not remain in operation or changes in any significant way during the control period (i.e. sale of a significant asset or the acquisition of a partner), the non-repayable contribution will be deemed to be repayable and collection efforts will commence.

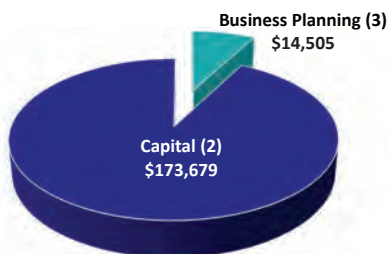
BCF Applications Approved For Period February 11 to March 31, 2013

Type	Industry	Geographic Region	Amount (a)	Leveraged (b)	Total (a + b)
Business Planning*	Landscaping Services	NW	1,725	575	2,300
Business Planning*	Oil Seed and Grain Farming	SW	4,480	°	4,480
Business Planning*	Lessors of Real Estate	SC	8,300	°	8,300
Capital*	Site Preparation Contractors	SC	73,680	°	73,680
Capital	Limited Service Eating Places	SE	99,999	°	99,999
Total 5 Business Contribution Fund Applications Approved			188,184	575	188,759

* Non-repayable contribution dollars have not been disbursed as at March 31/13. Actual disbursement may be less.

° Amounts Leveraged already reported in Loans Approved and Support Applications Approved stats (see page 8).

Business Contribution Fund Approvals = \$188,184





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Client Testimonials

Client Testimonials

Brian & Sharon Bruyere **Tim Hortons Sagkeeng**

My name is Sharon Bruyere. My husband, Brian Bruyere, and I are the owners of a Tim Hortons coffee shop kiosk. I am proud to say we are located in my home community of Sagkeeng First Nation. We opened our doors March 5, 2013, giving 30 people in and around the area employment.

We were introduced to First Peoples Economic Growth Fund (FPEGF) by Anishinabek Consultants Inc. We enjoyed working with FPEGF, they made the process of owning your own business easy and they were very helpful. We received an interest free loan and a non-repayable contribution from FPEGF which made a significant impact on the amount of additional financing we needed to secure.



Left to Right: Brian and Sharon Bruyere

Our business is currently doing great; we are very busy and working long hours. I am glad we were able to open our business in Sagkeeng First Nation as it benefits the community and surrounding communities with Timbit Sports and the Tim Hortons Camp.

We recommend to any First Nation member who is wanting to start a business to go see First Peoples Economic Growth Fund. We will definitely be going back to FPEGF in the future for financing.

Client Testimonials

Jenine Mowat The Design Trail

My name is Jenine Mowat and I am the owner of The Design Trail which specializes in graphic design, printing, signage, vehicle decaling and wraps. I am 25 years old and was born and raised in Norway House, Manitoba, and I still consider it to be my home.

I have always had a love for design, art and graphics. I am 3M certified for installations and absolutely love it! I graduated from Web and Print Design at Herzing College and my husband, Samuel Keeper, graduated from CDI Business Administration. Since the beginning of our relationship our goal has been to go into business together. He has been a great partner and I could not have done this without his support.



Left to Right: Jenine Mowatt and Samuel Keeper

Being a young Aboriginal woman I have always known it was important to work hard to get where I wanted to be in life. As a child growing up in a remote Northern community I felt that I didn't have the same opportunities as students in city schools. And when I first left Norway House to attend post-secondary school in Winnipeg, I was insecure and felt that I would not be able to compete with students from other parts of the Province. After I graduated from Herzing, I had several different jobs always with the intention of someday owning my own graphic design business. Despite my insecurities and doubts in the beginning, we have taken a major step towards achieving our goal of running a successful business and I can't believe how far we have come!

When we began looking into loans for Aboriginally owned small businesses, Daryl Bone from First Peoples Economic Growth Fund in Winnipeg was the first person we were referred to. He helped us through the process step-by-step and made the grueling experience a lot easier for us. He was there whenever we had questions or concerns and he continues to check in to make sure the business is running smoothly. It is a great feeling to know that we are not in this alone. Daryl understands that every day is a learning experience and he is there to make sure we get the help any new business owner may need. Nothing is out of reach; the support is there. We cannot express how grateful we are to have met him.

I hope our story will inspire other young Aboriginals to work hard, to follow their dreams and to achieve their goals. Take advantage of the opportunities and supports that are there for you and do not get discouraged when things aren't perfect. Keep working towards your goal and you will succeed. No matter where you come from, there are no limits on where you can go!

Client Testimonials

Jessica Heppner **Gallant's Family Foods and** **Del's Specialty Meats**

My name is Jessica Heppner and I am a member of Roseau River First Nation. My husband Brian and I have always wanted to own a family business – something we could have our four sons involved with, that could easily adapt into our lifestyle and that we could pass down to them someday. We began researching grants and loans for small businesses in Manitoba. Our search led us to Community Futures Triple R in Morris, who put us in touch with First Peoples Economic Growth Fund (FPEGF) and Community Futures Dakota Ojibway. With the three organizations, we were able to work together to make our dream become a reality this past year. In January 2013 our family purchased Gallant's Family Foods and Del's Specialty Meats, located in the small southern Manitoba town of Letellier.



Left to Right: Brian and Jessica Heppner

Gallant's Family Foods is a grocery store that serves the surrounding communities. It is well known for its meat and produce departments and catering menu. Del's Specialty Meats, attached to the grocery store, is a food manufacturing business with the main products being Del's Homestyle Pizza, paté and French cuisine catering menu. Del's also does fundraisers and has product sold at Festival du Voyageur and Folklarama. Our items are featured in many of Manitoba's grocery stores including Canada Safeway. Our delivery area is within a two-hour drive of Letellier and for fundraisers, we travel as far north as The Pas.

We have 15 employees who hail from Roseau River, Letellier and the surrounding area. Both Gallant's and Del's have been thriving in Manitoba for over 90 years and are family-owned and -operated. Being very family-oriented, the business suited us well. Brian runs the grocery store and I am in charge of the food production area.

Our experience with FPEGF was an amazing one. We were assigned to Daryl Bone, Senior Loans Manager, and he became such an asset in the whole process. He made us feel comfortable and capable of meeting our goals along the way. We utilized FPEGF's Business Plan Development Program to help develop our business plan – a requirement of the three funding agencies. From there, we applied to FPEGF's Entrepreneur Loan Program. It was no small feat to work with three lenders, but Daryl was able to coordinate and work well with everyone involved.

We are now looking into applying for FPEGF's Aftercare Program and truly look forward to working with FPEGF on the next steps of making our projected goals for our business. To know that they are there with us, advising and guiding makes anything feel attainable.

There are so many outlets out there for assistance in Aboriginal small businesses. It takes hard work, determination and a wonderful team of people to make it happen. We have been very blessed.



FIRST PEOPLES
economic growth fund

***Audited Financial
Statements***

Year Ended March 31, 2013

Independent Auditors' Report

To the Members of First Peoples Economic Growth Fund Inc.

We have audited the accompanying financial statements of First Peoples Economic Growth Fund Inc., which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of revenues and expenses, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 and fair presentation 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 overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits 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 First Peoples Economic Growth Fund Inc. as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

The Exchange

chartered accountants, LLP
Winnipeg, Manitoba
July 24, 2013



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E-mail: info@exg.ca Website: www.exg.ca

Statement of Financial Position

For the year ended March 31, 2013

	March 31, 2013	March 31, 2012	April 1, 2011
ASSETS			
CURRENT			
Cash	\$ 9,166,615	\$ 6,234,307	\$ 6,134,163
Short-term investments (Note 4)	6,766,015	10,126,399	8,000,496
Accrued interest and other receivables (Note 6)	782,428	129,896	87,886
Prepaid expenses	7,988	25,170	6,669
	16,723,046	16,515,772	14,229,214
PROPERTY AND EQUIPMENT (Notes 4, 7)	28,242	26,155	56,532
LOANS RECEIVABLE (Notes 4, 8, 9)	5,549,684	3,739,064	3,099,896
REIP INVESTMENT (Notes 4, 10)	2,000,000	-	-
INVESTMENT IN 6606254 MANITOBA LTD. (Note 4)	100	-	-
	\$ 24,301,072	\$ 20,280,991	\$ 17,385,642
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	\$ 95,787	\$ 71,549	\$ 54,248
NET ASSETS			
Contributed surplus (Note 2)	3,750,000	3,750,000	3,750,000
Net assets	20,455,285	16,459,442	13,581,394
	24,205,285	20,209,442	17,331,394
	\$ 24,301,072	\$ 20,280,991	\$ 17,385,642

RESTRICTIONS AND COMMITMENTS (Note 12)

ON BEHALF OF THE BOARD

 Director

 Director

See notes to financial statements

Statement of Revenues and Expenses

For the year ended March 31, 2013

	2013	2012
REVENUE		
Province of Manitoba	\$ 3,791,200	\$ 3,791,200
AANDC - Business Contribution Fund - Operating	121,593	-
AANDC - Business Contribution Fund - Equity Fund	1,066,385	-
Interest on short-term investments	356,961	336,607
Interest accretion	275,250	221,428
Interest on loans receivable	36,987	-
Loan fees	30,137	11,976
NACCA - Support and Training Program	15,364	-
Miscellaneous	796	697
	<u>5,694,673</u>	<u>4,361,908</u>
ASSISTANCE COSTS	<u>618,821</u>	<u>500,620</u>
Excess of revenue over expenses before administrative costs	<u>5,075,852</u>	<u>3,861,288</u>
EXPENSES		
Advertising and promotion	51,579	37,196
Amortization of property and equipment	33,585	30,378
Bad debts	144,164	140,738
Bank charges	500	457
Consulting fees	96,399	68,163
Equipment	18,167	3,017
Evaluation	-	48,781
Insurance	3,475	3,368
Office expense	49,373	38,557
Professional development and training	9,415	-
Professional fees	109,669	80,759
Recruiting	-	6,537
Rent	59,541	41,659
Salaries and benefits	480,992	458,142
Travel and conferences	23,150	25,488
	<u>1,080,009</u>	<u>983,240</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 3,995,843</u>	<u>\$ 2,878,048</u>

See notes to financial statements

Statement of Changes in Net Assets

For the year ended March 31, 2013

	2013	2012
NET ASSETS - BEGINNING OF YEAR, as previously stated	\$ 16,409,508	\$ 13,537,849
Prior period adjustment (<i>Note 14</i>)	<u>49,934</u>	<u>43,545</u>
Net assets, as restated	16,459,442	13,581,394
Excess of revenue over expenses	<u>3,995,843</u>	<u>2,878,048</u>
NET ASSETS - END OF YEAR	\$ 20,455,285	\$ 16,459,442

See notes to financial statements

Statement of Cash Flows

For the year ended March 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 3,995,843	\$ 2,878,048
Items not affecting cash:		
Amortization of property and equipment	33,585	30,378
Bad debts	144,164	140,738
Interest accretion	(275,250)	(221,428)
Loan discount expenses	430,668	388,841
	<u>4,329,010</u>	<u>3,216,577</u>
Changes in non-cash working capital:		
Accrued interest and other receivables	(652,532)	(42,011)
Accounts payable and accrued liabilities	24,238	17,301
Prepaid expenses	17,182	(18,501)
	<u>(611,112)</u>	<u>(43,211)</u>
Cash flow from operating activities	<u>3,717,898</u>	<u>3,173,366</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(35,672)	-
Loans granted	(3,053,444)	(1,501,704)
Loan repayments	943,242	554,385
Purchase of short-term investments	-	(2,125,903)
Sale of short-term investments	3,360,384	-
Purchase of REIP investment	(2,000,000)	-
Purchase of other investments	(100)	-
	<u>(785,590)</u>	<u>(3,073,222)</u>
Cash flow used by investing activities	<u>(785,590)</u>	<u>(3,073,222)</u>
INCREASE IN CASH	<u>2,932,308</u>	<u>100,144</u>
CASH - BEGINNING OF YEAR	<u>6,234,307</u>	<u>6,134,163</u>
CASH - END OF YEAR	<u>\$ 9,166,615</u>	<u>\$ 6,234,307</u>

See notes to financial statements

Notes to Financial Statements

For the year ended March 31, 2013

1. INCORPORATION

First Peoples Economic Growth Fund Inc. ("the Corporation") was incorporated as a corporation without share capital under the Corporation 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. DESCRIPTION OF BUSINESS

General Business Assistance Program

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 Nations' 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 projects of high economic return, the Corporation will also consider the relative needs of the applicants. In general, applications of exceptional merit and the greatest need will receive the highest priority. Furthermore, a portion of the Corporation's 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's Board of Directors, the Corporation will offer the following programs:

Financing Programs

- Joint Venture Program
- Community Economic Expansion Program
- Entrepreneur Loan Program

Support Programs

- Business Plan Assistance Program
- Aftercare Program
- Skills Development Program

(continues)

Notes to Financial Statements

For the year ended March 31, 2013

2. DESCRIPTION OF BUSINESS *(continued)*

Resource and Energy Investment Program

On March 25, 2009, the Corporation and the Department of Indian Affairs and Northern Development ("AANDC") entered into an agreement to create the Resource and Energy Investment Program ("REIP"). The REIP is funded as follows: AANDC \$3,000,000, the Corporation \$1,500,000 and Manitoba Hydro \$750,000. \$3,750,000 of this funding has been reflected as contributed surplus in the statement of financial position. The programs and goals of the REIP focus on the following:

A self sustaining, revolving capital pool that will grow and ultimately create sustainable First Nation economic development in the resource and energy sector of Manitoba.

Leverage private industry partner investment financing from financial institutions or other non-governmental services, and other equity investments.

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.

Business Contribution Fund

On February 11, 2013, the Corporation and the Department of Indian Affairs and Northern Development ("AANDC") entered into an agreement to create the Business Contribution Fund ("BCF"). AANDC will provide \$443,631 in operational funding and \$2,250,000 in equity funding for the term of the agreement ended March 31, 2014.

The programs and goals of the BCF will focus on the following:

Providing non-repayable contributions to businesses owned by either First Nation individuals up to \$99,999 and businesses owned by a Manitoba First Nation or a group of Manitoba First Nations up to \$250,000.

3. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

During the year the Corporation adopted accounting standards for not-for-profit organizations. These financial statements are the first prepared in accordance with these standards. The changes have not resulted in any changes to previously reported amounts.

Notes to Financial Statements

For the year ended March 31, 2013

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Short-term investments

Short-term investments consist of guaranteed investment certificates with original terms to maturity of greater than 90 days.

Loans receivable

At the time loans are advanced, they are recognized at fair value and then subsequently recorded at amortized cost using the effective interest method of amortization. Loans are stated net of an allowance for loan losses which is established to recognize estimated and 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.

See Note 9 for details related to policies for loans receivable.

REIP investment

REIP investments represent ownership in a limited liability partnership that is not actively traded and is accounted for at cost. Management assesses impairment of the investment on an annual basis.

Investment in 6606254 Manitoba Ltd.

The investment in 6606254 Manitoba Ltd. represents the 100% ownership of the general partner in the CFOM1 Limited partnership agreement. 6606254 Manitoba Ltd. acts as the bare trustee for CFOM1 Limited Partnership. This investment is accounted for at cost.

Impaired loans and allowance for loan impairment

The organization maintains an allowance for loan impairment which reduces the carrying value of these loans to their estimated realizable amounts. The loan is considered impaired if the Corporation no longer has reasonable assurance that the full amount of the principal and interest, if any, 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 in the statement of operations and net assets.

(continues)

Notes to Financial Statements

For the year ended March 31, 2013

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Amounts received or receivable pursuant to individual funding agreements are 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 represent reimbursements of legal and other costs incurred to set up the loan, and are therefore classified as revenue when charged, to match the period of related expenses.

Property and Equipment

Property and equipment are stated at cost less accumulated amortization. Normal repair and maintenance costs are expensed as incurred. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

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

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.

5. FINANCIAL INSTRUMENTS

The Corporation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Corporation's risk exposure and concentration as of March 31, 2013.

Credit risk

Credit risk arises from the potential that a counter-party will fail to perform its obligations. The Corporation is exposed to credit risk from individuals and businesses to whom funds have been loaned. 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.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Corporation is exposed to other price risk through its REIP investment.

Notes to Financial Statements

For the year ended March 31, 2013

6. ACCRUED INTEREST AND OTHER RECEIVABLES

	2013	2012
Goods and services tax	\$ 9,812	\$ 7,990
Loan fees	4,094	3,346
Accrued interest	136,352	117,291
AANDC - Business Contribution Fund	632,170	-
Payroll advances	-	1,269
	\$ 782,428	\$ 129,896

7. PROPERTY AND EQUIPMENT

	2013		2012	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer equipment	\$ 48,574	\$ 37,068	\$ 25,579	\$ 25,579
Website development	12,853	10,967	12,853	8,397
Office furniture	110,000	95,150	97,325	75,685
Leasehold improvements	26,143	26,143	26,143	26,084
	\$ 197,570	\$ 169,328	\$ 161,900	\$ 135,745
Net book value	\$ 28,242		\$ 26,155	

8. LOANS RECEIVABLE

Loans are classified as follows:

	2013	2012
Resource and Energy Investment Program Loans	\$ 1,500,000	\$ -
Entrepreneur Loans	1,884,334	1,649,834
Joint Venture Loans	1,332,889	1,207,973
Community Economic Expansion Loans	1,117,362	1,021,995
Allowance for doubtful accounts	(284,901)	(140,738)
	\$ 5,549,684	\$ 3,739,064

Notes to Financial Statements

For the year ended March 31, 2013

9. RECONCILIATION OF LOANS RECEIVABLE

Changes in loans receivable activity for the year are as follows:

		2013		2012
Loans receivable - beginning of year	\$ -	\$ 3,739,064	\$ -	\$ 3,099,896
Gross loans granted	3,053,444	-	1,501,704	-
Provision for forgiveness ⁽¹⁾	(158,750)	-	(225,000)	-
Increase in allowance for doubtful accounts ⁽²⁾	(144,164)	-	(140,738)	-
Interest rate discount to fair value ⁽³⁾	(271,918)	2,478,612	(163,841)	972,125
Interest accretion ⁽⁴⁾		275,250	-	221,428
Less: Loan repayments received		(943,242)	-	(554,385)
		<u>\$ 5,549,684</u>		<u>\$ 3,739,064</u>

⁽¹⁾ At the Corporation's option, up to 25% of the gross loans under the Community Economic Expansion program can be forgiven if the lender's repayment experience is favourable. At the time the loans are disbursed, the Corporation established a reserve in the amount of \$158,750 (2012 - \$225,000) for the full amount that can be forgiven.

⁽²⁾ The Corporation has determined that an increase in allowance for loan losses in the amount of \$144,164 (2012 - \$140,738) was required at March 31, 2013. This allowance represents the present value of the amounts determined to be uncollectible using the same discount rate as the loans granted.

⁽³⁾ The loans receivable balance contains an interest rate of 0% and are recognized at inception at the discounted fair value using a discount rate of 8%. Therefore, loans having a face value of \$3,053,444 (2012 - \$1,501,704) (before the provision for forgiveness noted above) were discounted by \$271,918 (2012 - \$163,841)

⁽⁴⁾ Interest income accretes on the loans receivable at a rate equal to the discount rate used at inception. Interest accretion in the amount of \$275,250 (2012 - \$221,428) was recorded as interest on loans receivable.

10. REIP INVESTMENT

	2013	2012
CFOM1 Limited Partnership ⁽¹⁾	<u>\$ 2,000,000</u>	<u>\$ -</u>

(1) First Peoples Economic Growth Fund has entered into a limited partnership with another First Nation organization called CFOM1 Limited Partnership. CFOM1 Limited Partnership has purchased a 45.65% interest in a partnership that owns and operates a drilling rig. The remaining 54.35% partnership interest in this partnership is held by a publicly listed company on the TSX. The equity ownership in this partnership meets the mandate of the REIP program since a drilling rig is in the Energy industry.

Notes to Financial Statements

For the year ended March 31, 2013

11. PENSION PLAN

The Corporation has a defined contribution pension plan for its employees. The employees are responsible for paying half of the contributions into the plan, and the Corporation matches these contributions. The Corporation's expenses related to this plan for the current year were \$21,373 (2012 - \$19,659).

12. RESTRICTIONS AND COMMITMENTS

a) The Corporation has approved, but not yet disbursed, the following assistance related to support programs and loans receivable:

Loans receivable	\$ 2,759,600
Business plan assistance	102,731
Business contribution fund	88,185
Skills development	4,598
Aftercare	9,357
	<u>\$ 2,964,471</u>

These transactions have not been reflected in the financial statements. Commitments will be disbursed and recorded once all the terms and conditions under the lending agreements have been complied with by the party seeking the funds from the Corporation.

b) Operating lease

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, 2014	\$ 40,167
2015	40,167
2016	10,352
2017	2,588

c) 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.

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.

13. ALLOCATED EXPENSES

During the year, with the commencement of the BCF, certain expenditures are being allocated amongst the three funds. The expenditures are allocated based on time spent by employees and the percentage use of supplies and equipment throughout the office.

Notes to Financial Statements

For the year ended March 31, 2013

14. PRIOR PERIOD ADJUSTMENT

During the year, management decided to recognize the deferred loan administration fees as it was determined that they relate to the initial issuance of the loan, not the administration of the loan throughout its life. As such, the balance of \$43,545 from the 2011 fiscal year was recognized. This decreased deferred revenue and increased net assets by \$43,545 at March 31, 2011.

The Corporation recognized the remaining deferred loan administration fees balance of \$6,389 in 2012. This increased revenue and net assets by \$6,389 for the year ended March 31, 2012.

The effect of the above adjustments increased opening net assets by \$49,934 for the current year.

15. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year presentation.

General Business Assistance Program Schedule 1

For the year ended March 31, 2013

	2013	2012
REVENUE		
Province of Manitoba	\$ 3,791,200	\$ 3,791,200
Interest accretion	275,250	221,428
Interest on short-term investments	266,652	216,536
Loan fees	30,137	11,976
NACCA Support and Training Program	13,554	-
Miscellaneous	796	697
	<u>4,377,589</u>	<u>4,241,837</u>
ASSISTANCE COSTS	<u>518,822</u>	<u>500,620</u>
Excess of revenue over expenses before administrative costs	<u>3,858,767</u>	<u>3,741,217</u>
EXPENSES		
Advertising and promotion	37,954	29,189
Amortization of property and equipment	33,030	28,955
Bad debts	144,164	140,738
Bank charges	455	397
Equipment	4,254	2,782
Evaluation	-	48,752
Insurance	2,606	2,526
Office	33,070	28,902
Professional development and training	8,807	-
Professional fees	65,401	56,987
Recruiting	-	6,473
Rent	40,656	31,244
Salaries and benefits	423,192	405,164
Travel and conferences	15,320	20,576
	<u>808,909</u>	<u>802,685</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 3,049,858</u>	<u>\$ 2,938,532</u>

See notes to financial statements

Resource and Energy Investment Program Schedule 2

For the year ended March 31, 2013

	2013	2012
REVENUE		
Interest on short-term investments	\$ 89,116	\$ 120,071
Interest on loans receivable	36,987	-
NACCA Support and Training Program	1,810	-
	<u>127,913</u>	<u>120,071</u>
EXPENSES		
Advertising and promotion	11,044	8,007
Amortization	555	1,423
Bank charges	45	60
Consulting fees	82,850	68,163
Equipment	253	235
Evaluation	-	29
Insurance	869	842
Office	10,758	9,655
Professional development and training	608	-
Professional fees	42,242	23,772
Recruiting	-	64
Rent	14,885	10,415
Salaries and benefits	49,084	52,978
Travel and conferences	7,534	4,912
	<u>220,727</u>	<u>180,555</u>
DEFICIENCY OF EXPENSES OVER REVENUE	<u>\$ (92,814)</u>	<u>\$ (60,484)</u>

See notes to financial statements

Business Contribution Fund Schedule 3

For the year ended March 31, 2013

	2013	2012
REVENUE		
AANDC - Business Contribution Fund - Equity Fund	\$ 1,066,385	\$ -
AANDC - Business Contribution Fund - Operating	121,593	-
Interest on short-term investments	<u>1,193</u>	<u>-</u>
	1,189,171	-
ASSISTANCE COSTS	<u>99,999</u>	<u>-</u>
Excess of revenue over expenses before administrative costs	<u>1,089,172</u>	<u>-</u>
EXPENSES		
Advertising and promotion	2,581	-
Consulting fees	13,549	-
Equipment	13,660	-
Office	5,545	-
Professional fees	2,026	-
Rent	4,000	-
Salaries and benefits	8,716	-
Travel and conferences	<u>296</u>	<u>-</u>
	<u>50,373</u>	<u>-</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 1,038,799</u>	<u>\$ -</u>

See notes to financial statements