

A MESSAGE FROM THE MINISTER



On behalf of Manitoba's new government, I am pleased to acknowledge the management and staff of the First Peoples Economic Growth Fund for your continuing good work as you issue your 2015/16 annual report.

With cultural pride, your organization is helping Indigenous entrepreneurs realize their business dreams, creating jobs and strengthening communities at the same time. Encouraging Indigenous economic development is a vital contributor to our province's economic prosperity, and your success is ultimately shared by all Manitobans.

As you build on your achievements going forward, I wish you continued success.

THE HONOURABLE EILEEN CLARKE
MINISTER OF INDIGENOUS
AND MUNICIPAL RELATIONS



A MESSAGE FROM THE GRAND CHIEF



On behalf of the Assembly of Manitoba Chiefs, representing 62 Manitoba First Nation communities, I congratulate the First Peoples Economic Growth Fund (FPEGF) for another successful year providing opportunities and services for Manitoba First Nations businesses to prosper.

The business supports and financing offered by FPEGF through eight different programs encourages First Nation participation in the economy, creates jobs in our communities and helps business owners achieve long-term success.

During the 2015/2016 fiscal year, FPEGF supported 75 applicants in developing or expanding their businesses.

Our leadership and First Nations citizenship are proud that FPEGF continues their significant role in advancing First Nations involvement in Manitoba's economy each year, ensuring First Nations are recognized as important contributors to the economy.

I commend the board of directors and staff for their continued hard work and dedication in assisting First Nations businesses and people in Manitoba.

Meegwetch, Ekosi, Wopida, Mahsi Cho!

GRAND CHIEF DEREK NEPINAK
ASSEMBLY OF MANITOBA CHIEFS



GREETINGS



First Peoples Economic Growth Fund

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).

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:

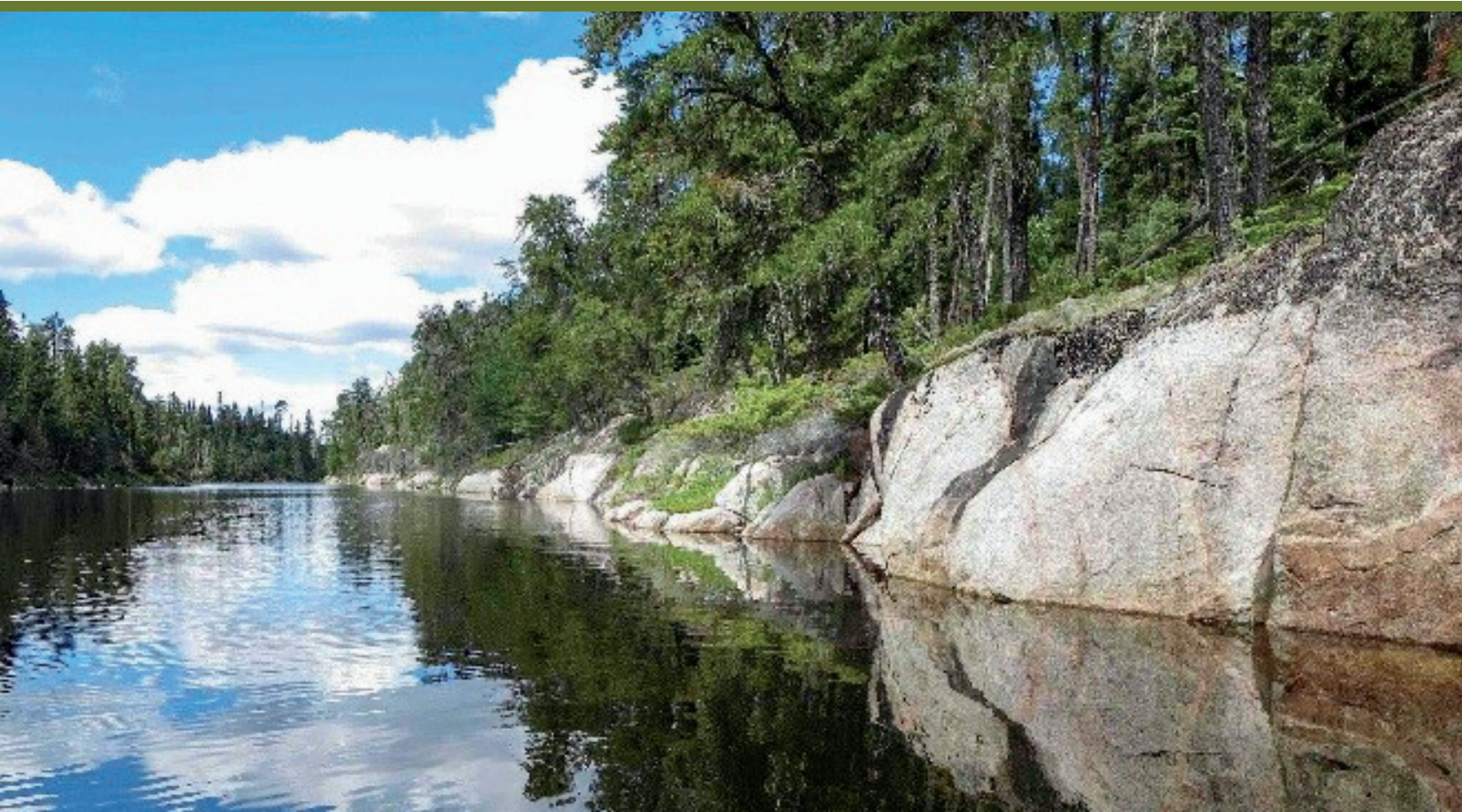
FINANCING PROGRAMS

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

SUPPORT PROGRAMS

- Business Plan Assistance Program
- 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.



The volunteer 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 Brennan,
FPEGF Secretary/
Treasurer
Retired;
former President
and CEO,
Manitoba Hydro



Bob Silver,
FPEGF Vice Chairperson
President,
Western Glove Works



Joe Malcolm,
FPEGF Director
former Tribal Director
of Southeast Resource
Development Council



Rosa Walker,
FPEGF Director
President and CEO,
Indigenous Leadership
Development Institute Inc.

BOARD OF DIRECTORS

Despite the Canadian Economy being very sluggish due to the ripple effects of extremely low oil prices for most of this fiscal year (2015/16), First Peoples Economic Growth Fund (FPEGF) has had it busiest year since we opened our doors on September 23, 2008. This fiscal year alone we have approved 39 loans worth just over \$6 million. Our \$6 million has leveraged another \$13 million for a total impact on the Manitoba Economy of \$19 million this fiscal year. Those 39 business loans have created and maintained 194 jobs in Manitoba.

In addition to the 39 loan approvals, we approved 36 Support Applications – most of which were to help clients work with a professional to ensure as much as possible that their business plan is complete in all material ways. Therefore the client and FPEGF can have a better and more detailed understanding of the opportunity and the risk of the particular venture. FPEGF invested \$108,000 in those 36 Support Applications leveraging another \$284,000 for a total impact of another \$400,000 on the Manitoba Economy.

Our client base is growing rapidly and we now have approved a total of 154 loans worth over \$26 million. When we combine our financing with client equity and all other sources of financing the impact on the Manitoba economy is almost \$100 million since September 2008.

We have kept the staff level at eight including the CEO and two dedicated staff for the BCF Program. But as we look ahead to next year we are planning to add another staff member to try to keep pace with the demand for our time and our financing programs for new and existing clients.

In the middle of our busiest year to date, we have changed locations. We are now located at 1075 Portage Avenue, Suite 102. The significance of the change is important. While the desire of the Board was to remain in the central part of Winnipeg, close

to downtown, we needed a little more space. We also wanted to support the economic efforts of the First Nations by locating office space in a building they (one or more First Nation) owned. There were a few good options that fit the criteria but as our current lease was expiring soon we could not wait for a “New Building”. We ultimately chose 1075 Portage Avenue, now known as the “Peguis” Building. It is owned by Peguis First Nation and is in the process of being converted to Reserve land.

We thank our two Founding Members, the Province of Manitoba, and the Assembly of Manitoba Chiefs for their continued support. Also, Indigenous & Northern Affairs Canada for their support of the BCF program. We thank our volunteer Board of Directors and our dedicated staff for continuing to work hard for our clients and the guiding principles of our organization.

Finally we would like to thank our clients, both existing and new for choosing First Peoples Economic Growth Fund, and for working tirelessly to make Manitoba a better place to live, grow and prosper.

Respectfully,



**PATRICIA TURNER,
CHAIR OF THE BOARD**



**IAN CRAMER,
CEO**



- 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.

GUIDING PRINCIPLES



First Peoples Economic Growth Fund

FPEGF STAFF



Ian Cramer
CEO



Tom Thordarson
Senior Loans Manager



Fabian Sanderson
Loans/Accounts Manager



Robyn Wozney
BCF Analyst



Joyce Lillie
Accountant/
Office Manager



Yvonne Dubois
Executive Assistant/
Loans Administrator



Jeanette Turner
Administrative Assistant/
Receptionist



Amara Waddell
BCF Administrator



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. Projects funded under this program must be for-profit and commercially viable with total project costs generally in excess of \$500,000. Priority will be given, but not restricted, to higher-end value-added projects.

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.

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.

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.



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 available is 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 startup, expansion or acquisition of a viable business. Maximum contribution towards a business owned by a First Nation individual is up to 30% 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 30% 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).

The BCF is generously supported by Indigenous and Northern Affairs Canada.

Loans Approved for Period April 1, 2015 to March 31, 2016

# Program	FPEGF Amount Approved** (A)	Dollars Leveraged		Impact on Manitoba Economy (A+B+C)	New Jobs Created
		BCF* Dollars Approved (B)	All Other Dollars (C)		
3 Community Economic Expansion	519,147	180,578	4,887,626	5,587,351	33
26 Entrepreneur Loan	1,392,667	867,613	774,180	3,034,460	40
9 Joint Venture	3,846,581	1,287,225	4,437,040	9,570,846	32
1 Resource & Energy Investment	318,802	99,999	336,187	754,988	0
39 Loans Approved	6,077,197	2,435,415	10,435,033	18,947,645	105

Grand Total of Loans Approved from September 23, 2008 to March 31, 2016

# Program	FPEGF Amount Approved** (A)	Dollars Leveraged		Impact on Manitoba Economy (A+B+C)	New Jobs Created
		BCF* Dollars Approved (B)	All Other Dollars (C)		
22 Community Economic Expansion	4,808,667	961,163	19,807,624	25,577,454	250
110 Entrepreneur Loan	7,095,758	2,638,090	6,873,056	16,606,904	242
18 Joint Venture	9,857,380	1,730,307	28,433,275	40,020,962	171
4 Resource & Energy Investment	4,043,627	234,894	12,478,365	16,756,886	56
154 Loans/Equity Investments Approved	25,805,432	5,564,454	67,592,320	98,962,206	719

Support Applications Approved for Period April 1, 2015 to March 31, 2016

# Program	FPEGF Amount Approved** (A)	Dollars Leveraged		Impact on Manitoba Economy (A+B+C)
		BCF* Dollars Approved (B)	All Other Dollars (C)	
2 Aftercare	26,340	0	8,780	35,120
34 Business Plan Assistance	81,595	170,171	105,261	357,027
36 Support Applications Approved	107,935	170,171	114,041	392,147

Grand Total of Support Applications Approved from September 23, 2008 to March 31, 2016

# Program	FPEGF Amount Approved** (A)	Dollars Leveraged		Impact on Manitoba Economy (A+B+C)
		BCF* Dollars Approved (B)	All Other Dollars (C)	
9 Aftercare	78,170	0	27,213	105,383
144 Business Plan Assistance	703,658	408,224	443,480	1,555,362
13 Skills Development	54,079	0	18,034	72,113
166 Support Applications Approved	835,907	408,224	488,727	1,732,858

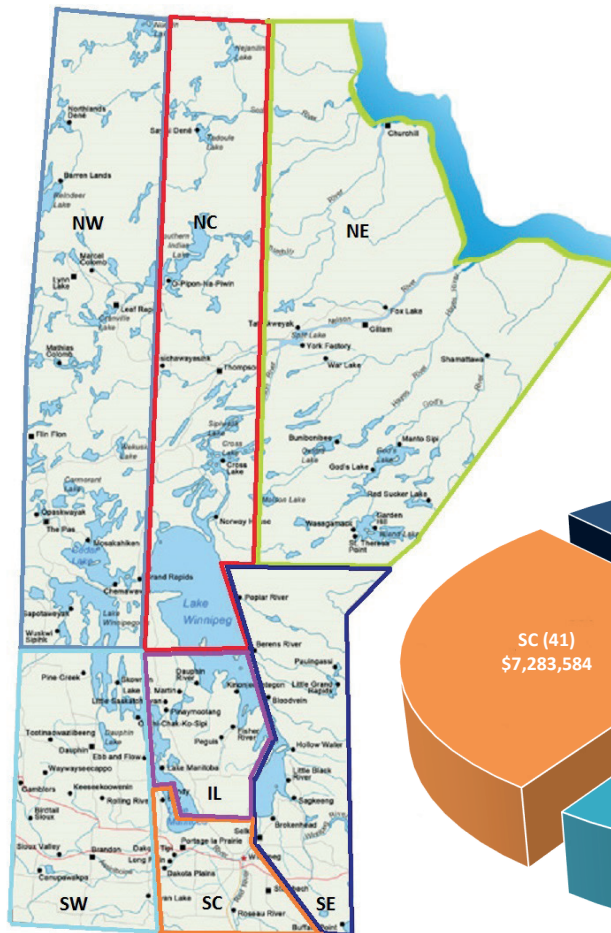
** Some Loan and Support dollars have not been disbursed as at March 31, 2016. Commitments will be disbursed once all Terms and Conditions are met.

* BCF - Business Contribution Fund delivered by FPEGF

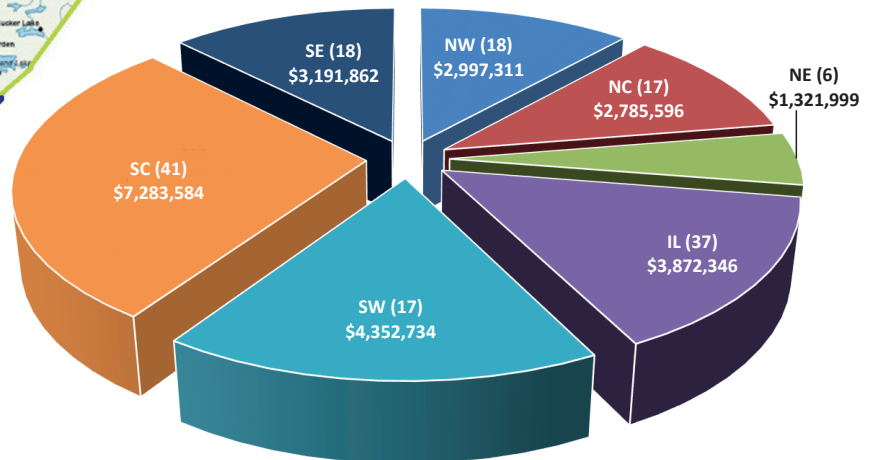


SEPTEMBER 23, 2008 TO MARCH 31, 2016

FPEGF TOTAL APPROVALS BY GEOGRAPHIC REGION

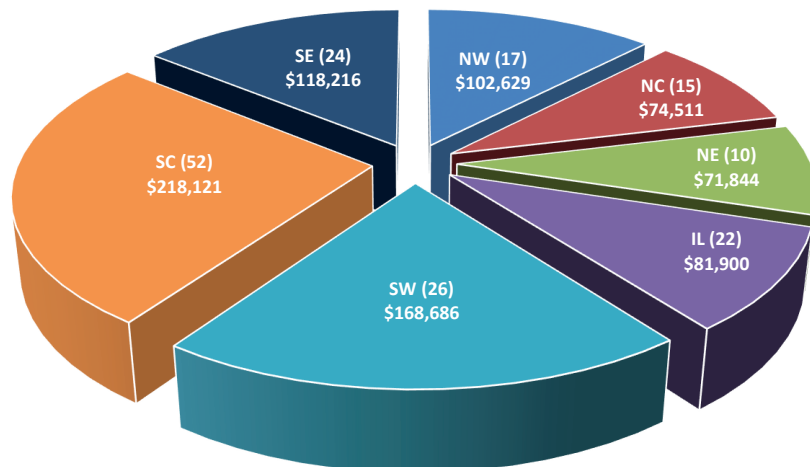


154 Loans = \$25,805,432



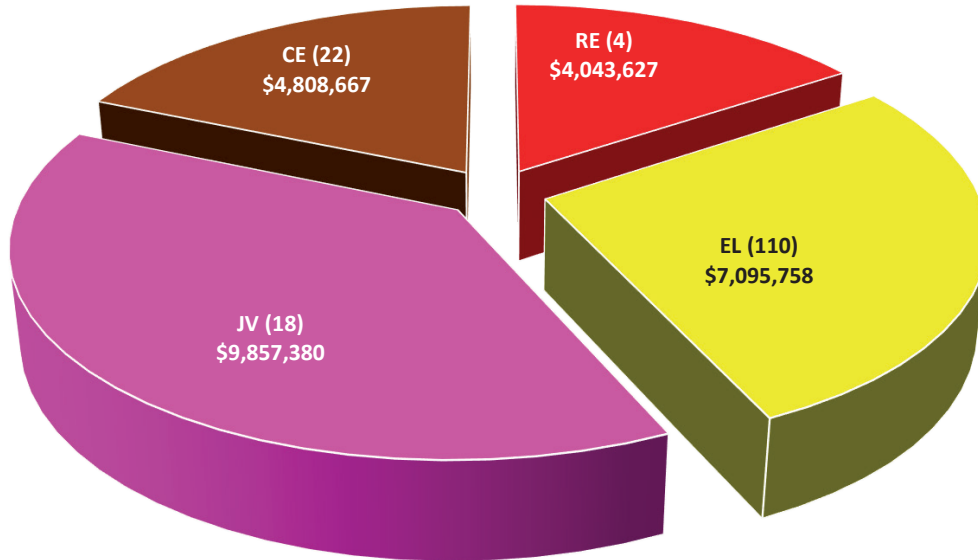
- NW - Northwest
- NC - North Central
- NE - Northeast
- IL - Interlake
- SW - Southwest
- SC - South Central
- SE - Southeast

166 Support Applications = \$835,907

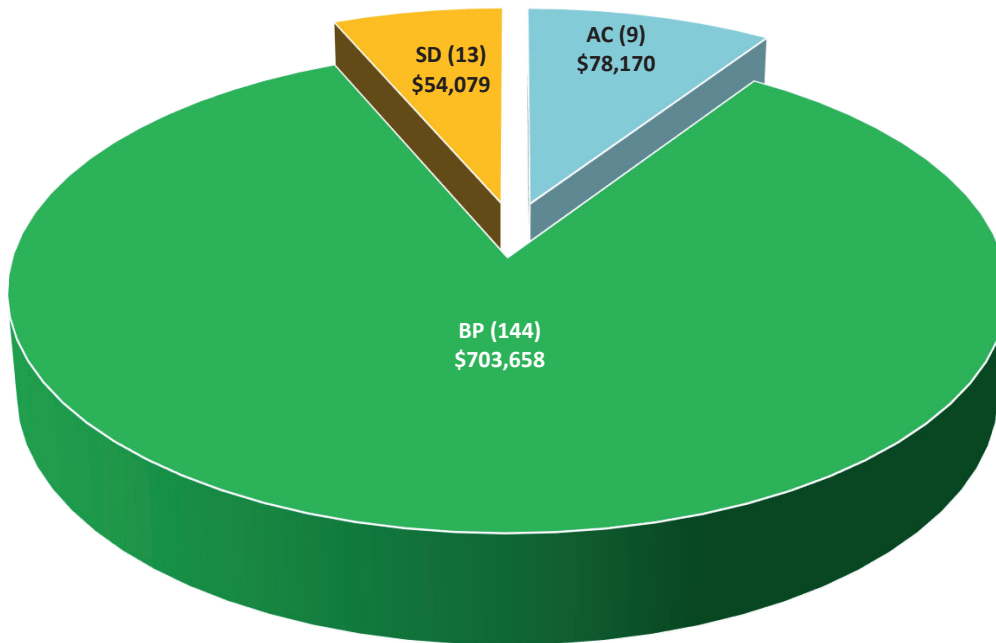


SEPTEMBER 23, 2008 TO MARCH 31, 2016

154 Loans = \$25,805,432



166 Support Applications = \$835,907



FPEGF TOTAL APPROVALS BY PROGRAM



BCF Applications Approved for Period April 1, 2015 to March 31, 2016

#	Type	BCF Dollars Approved* (A)				Dollars Leveraged** (B)	Total (A+B)
		Business Planning	Capital & Operating	Marketing	Business Support		
32	Business Planning	172,046				0	172,046
34	Capital & Operating, Marketing and Business Support		2,329,482	167,575	17,006	237,332	2,751,395
66	BCF Support Applications Approved	172,046	2,329,482	167,575	17,006	237,332	2,923,441

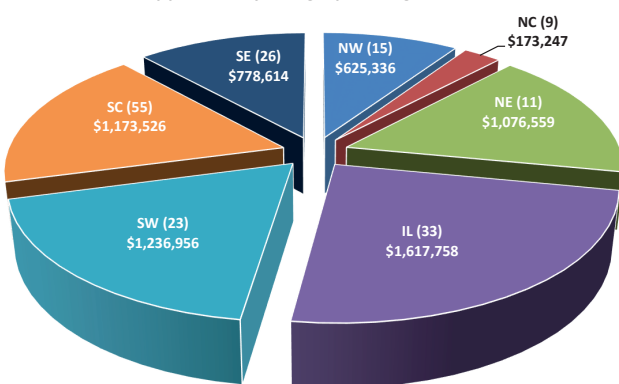
Grand Total of BCF Support Applications Approved from February 11, 2013 to March 31, 2016

#	Type	BCF Dollars Approved* (A)				Dollars Leveraged** (B)	Total (A+B)
		Business Planning	Capital & Operating	Marketing	Business Support		
83	Business Planning	449,509				15,232	464,741
89	Capital & Operating, Marketing and Business Support		5,820,830	342,033	69,624	2,499,105	8,731,592
172	BCF Support Applications Approved	449,509	5,820,830	342,033	69,624	2,514,337	9,196,333

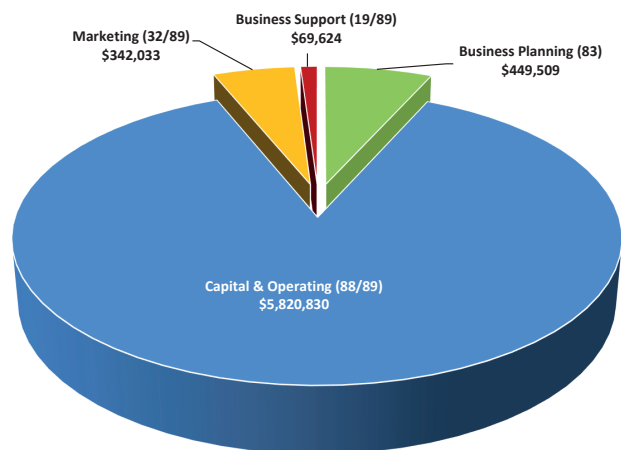
* Some BCF Support dollars have not been disbursed or were partially disbursed as at March 31, 2016. Commitments will be fully disbursed once all Terms and Conditions are met.

** Some Dollars Leveraged amounts already reported in Approved Loan and Support Applications statistics (see page 9).

172 BCF Approvals by Geographic Region = \$6,681,996



172 BCF Approvals by Type = \$6,681,996



A PLUS PLUMBING AND HEATING

ASHLEY HOULE

My name is Ashley Houle, I am a Red Seal Journeyman Plumber and Gasfitter and proud owner of A Plus Plumbing and Heating in Dauphin, Manitoba. Originally from Ebb and Flow First Nation, I graduated from the Piping Trades Program at Assiniboine Community College in Brandon, Manitoba in 2005.

In 2014 I was presented with a once-in-a-lifetime opportunity when my employer Keith Durston and his wife Anne announced they were ready to retire and sell their business. This kicked off a journey of researching funding opportunities, business plans and all things relating to small business. Through our research my wife Jessica and I came across First Peoples Economic Growth Fund (FPEGF) and this became our focus when preparing a business plan.

We worked with Loans/Account Manager Fabian Sanderson and BCF Analyst Robyn Wozney at FPEGF from the beginning and they were very supportive and knowledgeable. The fact that they were so helpful, believed in us and wanted our plan to succeed made a world of difference.

Applying for and receiving funding did not happen overnight. We really had to do our homework and come up with a viable business plan. We submitted our business plan, we met all the requirements of the programs and we were approved. The process was a nine month journey of hard work and determination.

FPEGF helped turn our dream into a reality and in March 2016 we celebrated one year as owners of a successful plumbing and heating company. Located in Dauphin and serving the Parkland and surrounding area, A Plus Plumbing and Heating specializes in residential and commercial plumbing and HVAC. Additionally, we are a dealer for Coast Spas and employ four full-time staff including a journeyman and an apprentice.

We are extremely grateful to be a part of the FPEGF family and look forward to working with them for years to come.



CLIENT TESTIMONIALS



MADISON PETRO-CANADA

LONG PLAIN FIRST NATION

A Message from Chief Meeches, Long Plain First Nation

The first Urban Reserve within the city limits of Winnipeg has proven to be a very valuable economic zone for Long Plain First Nation. With the help of our partners Suncor and First Peoples Economic Growth Fund, Long Plain First Nation opened the Madison Petro-Canada on February 23, 2015 in the City of Winnipeg.

The staff of FPEGF understood our needs and challenges and shared our vision in developing the first Urban Reserve in Winnipeg. Today the Madison Petro-Canada has surpassed all of our expectations and we are proud to share with other First Nations a roadmap to economic development.

We acknowledge the staff of FPEGF and we will continue to work with them on other important economic development projects.

Chief Dennis Meeches

President, Arrowhead Development Corporation



THE COLLECTORS CLUB

MICHELLE DUMAS



My name is Michelle Dumas, from Sagkeeng First Nation, and I am the proud owner of “The Collectors Club” tattoo studio located at 310 Nairn Avenue in Winnipeg, MB.

Tattooing is one of the most sought out practices for people trying to over-come depression, dealing with loss, or even celebrating life events like the birth of a child, a change in career or a family vacation. Self-expression is so personal, it touches peoples in ways that nothing else can and can literally change lives. In a way it is its own form of therapy and in other ways it's just a means of developing confidence. I am happy to witness the impact that my business has on the many lives it touches on a daily basis and I will continue to look forward to seeing this impact for many more years to come.

The purpose of my business is to provide custom art work via body modification, creating works of art to the public through various other art mediums that seek self-expression through art and creativity. The Collectors Club also offers an art studio

where resident tattoo artists could continue to grow and expand their passion to continually advance our artistic skills and pursuing professional development.

As a young Aboriginal single mother, I found that there are many barriers to overcome when starting your own business. I first learned of First Peoples Economic Growth Fund (FPEGF) while doing online research for funds available to Aboriginal entrepreneurs, one of the many barriers that I was facing in my business endeavour. I was denied acceptance into various programming and funding due to my lack of financial securities, business experience, among other more stereotypical biases.

The parameters of the program and financial conditions of FPEGF funding are by far the best available to anyone who is starting a business and provided me with LESS stress on my financial obligations so I was able to focus all my energy on starting my business, which is now well established and doing amazing, thanks to the help of FPEGF. It's been just over a year since I have started my business and I have already expanded.

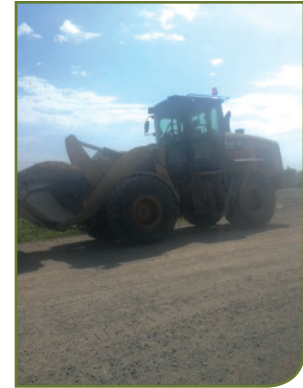
If I had not received financing from FPEGF I would probably not be where I am today. Having their continued support has kept me motivated to keep striving towards new and existing business goals. I would definitely apply for funding with FPEGF in the future and highly recommend them to anyone.



MANTO SIPI CONSTRUCTION LTD.

MANTO SIPI CREE NATION

Manto Sipi Construction Ltd. is a construction company located in a fly in First Nation community in Northern Manitoba. The construction company builds cabins, homes, commercial buildings, decks, floors, etc. Funding was required to build two new cabins in the northern community to further the economic development of the community. Manto Sipi Construction Ltd. was created to carry out this new business endeavour.



Manto Sipi Construction Ltd. approached FPEGF for a grant in order to further economic development activities in their northern community.

These two new cabins formed additional places for visitors to stay as part of God's River Lodge (an economic venture that has existed for many years in the northern community). By word of mouth, Manto Sipi Cree Nation had heard that FPEGF was willing to work with First Nations and help them further their economic ventures. Senior Loans Manager Tom Thordarson met with the Chief and Council and laid out all the requirements necessary in order to apply for the grant. Financing from the Business Plan Assistance Program helped with the development of a comprehensive business plan.

From the onset of the project, through the stages of cost, estimates and contract negotiations, and with the completion of the grant, their level of professionalism impressed the First Nation. We felt a high level of trust dealing with FPEGF. I am certain that other First Nations and companies would benefit from the funding offered by this fund. Manto Sipi Construction Ltd. was able to purchase heavy equipment to help build the cabins it needed. Through the funding, the First Nation experienced economic growth, employment opportunities, and an expansion of training opportunities.

I recommend FPEGF to other agencies for funding and grants. They have helped further the economic dreams of Manto Sipi Cree Nation and made them a reality. We wish FPEGF continued success in the future. They offer a unique business opportunity to access funds not normally available from financial institutions.

Chief Oliver Okemow

Manto Sipi Cree Nation



WESTERN MICRO SYSTEMS

KEVIN CLOWES

My name is Kevin Clowes, and I am from Peguis First Nation. I own and operate Western Micro Systems, located here in Winnipeg, MB. For the last 22 years, we have provided Information Technology (IT) sales, support, service and training to small and medium sized businesses in Winnipeg. In more recent years, we have been working closely with First Nations schools, offices and health centres to provide guidance, development and support with respect to technology.

In 2004, I purchased Western Micro Systems with the help of Aboriginal Business Canada and Tribal Wi-Chi-Way-Win. Currently, we are one of the only First Nations owned and operated IT companies in Canada, and the only First Nations reseller of the popular SMART Board technology products in North America.



CLIENT TESTIMONIALS

I first learned about First Peoples Economic Growth Fund in 2014, through a conversation with some colleagues that were knowledgeable about the business programs that were offered. I then approached FPEGF with the idea to expand my business, hire additional staff and market our brand. The Business Plan Development and Entrepreneurship Programs were very detailed and a timely process, but essential for the scope of funding I was requesting. From the first engagement meeting to final approval, took about 20 months but it was worth the wait, and interest free!

We were also lucky to have worked with Loans/Account Manager Fabian Sanderson, BCF Analyst Robyn Wozney and BCF Administrator Amara Waddell with accessing the Business Contribution Fund, which enabled Western Micro to create the awareness we need to market this company. They have followed up with us, have been very informative, encouraging and pleasant to work with.

With the help of FPEGF for the business expansion we have been able to maintain the two full-time positions needed to shift more focus on the SMART Technology sales, service and training, and hire an additional admin support staff – all of whom are First Nations members. We have continued, steady growth and are actively pursuing new markets.

My main goal for Western Micro Systems is to create employment and training opportunities for Indigenous peoples. We take great pride in building our business with the foundation of the Seven Teachings, where you are treated as family. We believe that it is not what we can take away from our customers and communities, but what we can give back.

If you are looking for a program to help you make your dreams possible, I would absolutely recommend that you apply for financing through FPEGF programs.

A huge thank you to FPEGF Staff and Board of Directors for their continued support. Without FPEGF, we would not have been 100% successful in achieving our goal. They are an example of First Nations, helping First Nations.



FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016



FIRST PEOPLES
economic growth fund

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 statement of financial position as at March 31, 2016 and the statements of operations and cash flows for the year then ended, 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Exchange

chartered professional accountants, LLP
Winnipeg, Manitoba
June 29, 2016



STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 4,179,015	\$ 2,991,644
Short-term investments (Note 3)	11,591,390	13,650,015
Accrued interest and other receivables (Note 5)	423,950	584,375
Prepaid expenses	9,353	14,417
	<u>16,203,708</u>	<u>17,240,451</u>
PROPERTY AND EQUIPMENT (Notes 3, 6)	45,745	15,052
LOANS RECEIVABLE (Notes 3, 7, 8)	12,369,659	9,455,131
REIP INVESTMENT (Notes 3, 9)	1,126,186	1,715,700
INVESTMENT IN 6606254 MANITOBA LTD. (Note 3)	100	100
	<u>\$ 29,745,398</u>	<u>\$ 28,426,434</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 59,273	\$ 68,133
LOAN SECURITY	-	304,276
	<u>59,273</u>	<u>372,409</u>
NET ASSETS		
Contributed surplus (Note 2)	3,750,000	3,750,000
Net assets	25,936,125	24,304,025
	<u>29,686,125</u>	<u>28,054,025</u>
	<u>\$ 29,745,398</u>	<u>\$ 28,426,434</u>

RESTRICTIONS AND COMMITMENTS (Note 11)

ON BEHALF OF THE BOARD

 Director
 Director

See notes to financial statements

	2016	2015
REVENUE		
Province of Manitoba	\$ 2,700,000	\$ 2,700,000
Business Contribution Fund - Operating	301,973	278,593
Business Contribution Fund - Equity Fund	1,791,181	1,678,697
Interest on short-term investments	336,437	373,420
Interest accretion	685,288	579,186
Interest on loans receivable	177,352	172,651
Loan fees	45,929	35,765
NACCA - Support and Training Program	-	4,254
Miscellaneous	2,481	1,795
	<u>6,040,641</u>	<u>5,824,361</u>
ASSISTANCE COSTS	<u>2,396,791</u>	<u>2,969,635</u>
EXCESS OF REVENUE OVER ASSISTANCE COSTS	<u>3,643,850</u>	<u>2,854,726</u>
ADMINISTRATIVE COSTS		
Advertising and promotion	44,209	32,029
Amortization of property and equipment	8,815	5,811
Bad debts	235,457	395,925
Bank charges	841	830
Consulting fees	125,207	124,558
Equipment	3,906	2,233
Insurance	4,144	3,968
Office expense	47,336	47,907
Professional development and training	1,596	1,079
Professional fees	66,749	98,223
Recruiting	-	9,566
Rent	67,720	62,302
Salaries and benefits	644,287	565,451
Travel and conferences	21,734	13,618
	<u>1,272,001</u>	<u>1,363,500</u>
OPERATING SURPLUS BEFORE OTHER LOSSES	<u>2,371,849</u>	<u>1,491,226</u>
OTHER LOSSES		
Loss on disposal of assets	(235)	-
Impairment loss on investment (Note 9)	(589,514)	(284,300)
Loan renegotiation	(150,000)	-
	<u>(739,749)</u>	<u>(284,300)</u>
OPERATING SURPLUS	<u>1,632,100</u>	<u>1,206,926</u>
NET ASSETS - BEGINNING OF YEAR	<u>24,304,025</u>	<u>23,097,099</u>
NET ASSETS - END OF YEAR	<u>\$ 25,936,125</u>	<u>\$ 24,304,025</u>

See notes to financial statements

STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2016



STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Operating surplus	\$ 1,632,100	\$ 1,206,926
Items not affecting cash:		
Amortization of property and equipment	8,815	5,811
Bad debts	235,457	395,925
Impairment loss on investments	589,514	284,300
Interest accretion	(685,288)	(579,186)
Interest on loans receivable	(177,352)	(172,651)
Loan renegotiation	150,000	-
Loan discount expenses	968,465	881,476
Loss on disposal of equipment	235	-
	<u>2,721,946</u>	<u>2,022,601</u>
Changes in non-cash working capital:		
Accrued interest and other receivables	187,776	(20,793)
Accounts payable and accrued liabilities	(313,135)	275,539
Prepaid expenses	5,064	(9,833)
	<u>(120,295)</u>	<u>244,913</u>
Cash flow from operating activities	<u>2,601,651</u>	<u>2,267,514</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(39,743)	(1,766)
Loans granted	(5,095,567)	(3,576,350)
Loan repayments	1,662,405	1,468,835
Net change of short-term investments	2,058,625	1,608,086
Cash flow used by investing activities	<u>(1,414,280)</u>	<u>(501,195)</u>
INCREASE IN CASH	<u>1,187,371</u>	<u>1,766,319</u>
CASH - BEGINNING OF YEAR	<u>2,991,644</u>	<u>1,225,325</u>
CASH - END OF YEAR	<u>\$ 4,179,015</u>	<u>\$ 2,991,644</u>

See notes to financial statements

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)

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

During the year ended March 31, 2016, the Corporation and the National Aboriginal Capital Corporations Association ("NACCA") entered into an agreement to continue the Business Contribution Fund ("BCF"). NACCA will provide \$301,973 in operational funding and \$1,791,181 in equity funding for the year ended March 31, 2016. Funding for the remaining term of the agreement ended March 31, 2017 will be assessed once budget and performance targets are reviewed by NACCA.

The programs and goals of the BCF will focus on:

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. 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:

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 8 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 Corporation 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)



3. 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.

4. 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, 2016.

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.

5. ACCRUED INTEREST AND OTHER RECEIVABLES

	2016	2015
Goods and services tax	\$ 8,766	\$ 8,810
Loan fees	6,632	1,632
Accrued interest	127,237	546,075
Business Contribution Fund	281,315	27,858
	<u>\$ 423,950</u>	<u>\$ 584,375</u>

6. PROPERTY AND EQUIPMENT

	2016		2015	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer equipment	\$ 50,340	\$ 49,882	\$ 50,340	\$ 48,999
Website development	12,853	12,853	12,853	12,853
Office furniture	114,979	92,311	117,792	104,081
Leasehold improvements	24,675	2,056	26,143	26,143
	<u>\$ 202,847</u>	<u>\$ 157,102</u>	<u>\$ 207,128</u>	<u>\$ 192,076</u>
Net book value	<u>\$ 45,745</u>		<u>\$ 15,052</u>	

7. LOANS RECEIVABLE

Loans are classified as follows:

	2016	2015
Resource and Energy Investment Program Loans	\$ 1,955,485	\$ 1,500,000
Entrepreneur Loans	3,919,537	2,934,012
Joint Venture Loans	4,774,765	3,596,791
Community Economic Expansion Loans	2,624,820	2,242,566
Accrued interest on loans	148,747	-
Allowance for doubtful accounts	(1,053,695)	(818,238)
	<u>\$ 12,369,659</u>	<u>\$ 9,455,131</u>

8. RECONCILIATION OF LOANS RECEIVABLE

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

	2016	2015
Loans receivable - beginning of year	\$ 9,455,131	\$ 8,045,830
Gross loans granted	5,095,567	3,576,350
Provision for forgiveness ⁽¹⁾	(23,245)	(150,000)
Increase in allowance for doubtful accounts ⁽²⁾	(235,457)	(395,925)
Interest rate discount to fair value ⁽³⁾	(945,220)	(731,475)
Interest accretion ⁽⁴⁾	685,288	579,186
Less: Loan repayments received	(1,662,405)	(1,468,835)
	<u>\$ 12,369,659</u>	<u>\$ 9,455,131</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 \$23,245 (2015 - \$150,000) 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 \$235,457 (2015 - \$395,925) was required at March 31, 2016. This allowance represents the present value of the amounts determined to be uncollectible using the same discount rate as the loans granted.

⁽³⁾ Entrepreneur Loans and Community Economic Expansion Loans are issued with an interest rate of 0%. These loans are recognized at inception at the discounted fair value using a discount rate of 8%. Therefore, loans having a face value of \$3,198,944 (2015 - \$2,581,122) (before the provision for forgiveness noted above) were discounted by \$945,220 (2015 - \$731,475).

⁽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 \$685,288 (2015 - \$579,186) was recorded as interest on loans receivable.

9. REIP INVESTMENT

	2016	2015
CFOM1 Limited Partnership ⁽¹⁾	<u>\$ 1,126,186</u>	<u>\$ 1,715,700</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.

⁽²⁾ Given the current market conditions relating to oil prices, management was unsure as to whether the value of their REIP investment was impaired. A certified business valuator was consulted to perform a valuation of the drilling rig operations on a going concern basis. The resulting valuation report indicated that the investment should be impaired by \$589,514 (2015 - \$284,300) at March 31, 2016.

10. 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 \$29,008 (2015 - \$23,366).

11. RESTRICTIONS AND COMMITMENTS

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

Loans receivable	\$ 2,707,998
Business plan assistance	67,644
Business contribution fund	1,871,420
Skills development	-
Aftercare	26,340
	<u>\$ 4,673,402</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,	2017	\$ 47,706
	2018	47,706
	2019	47,706
	2020	36,489
	2021	12,163

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.

12. ALLOCATED EXPENSES

During the year, certain expenses are being allocated amongst the three funds. The expenses are allocated based on proportional time spent by employees and actual use of supplies and equipment. Any expenses determined to be solely related to any program are charged in full to that program.



	2016	2015
REVENUE		
Province of Manitoba	\$ 2,700,000	\$ 2,700,000
Interest accretion	685,288	579,186
Interest on short-term investments	300,447	337,475
Loan fees	45,934	35,765
NACCA Support and Training Program	-	4,254
Miscellaneous	2,476	1,795
	<u>3,734,145</u>	<u>3,658,475</u>
ASSISTANCE COSTS	<u>919,780</u>	<u>943,876</u>
EXCESS OF REVENUE OVER ASSISTANCE COSTS	<u>2,814,365</u>	<u>2,714,599</u>
ADMINISTRATIVE COSTS		
Advertising and promotion	22,224	19,453
Amortization of property and equipment	3,859	2,708
Bad debts	235,457	95,925
Bank charges	831	810
Consulting fees	47,640	41,977
Equipment	2,177	1,192
Insurance	2,072	1,984
Office	22,843	26,047
Professional development and training	1,377	722
Professional fees	50,595	73,036
Recruiting	-	6,846
Rent	33,331	28,532
Salaries and benefits	416,010	342,364
Travel and conferences	10,120	7,064
	<u>848,536</u>	<u>648,660</u>
OPERATING SURPLUS	<u>\$ 1,965,829</u>	<u>\$ 2,065,939</u>

	2016	2015
REVENUE		
Interest on loans receivable	\$ 177,352	\$ 172,651
Interest on short-term investments	35,990	35,945
	213,342	208,596
ASSISTANCE COSTS	122,746	-
EXCESS OF REVENUE OVER ASSISTANCE COSTS	90,596	208,596
ADMINISTRATIVE COSTS		
Advertising and promotion	10,924	5,842
Amortization	960	370
Bad debts	-	300,000
Bank charges	-	2
Consulting fees	26,250	28,887
Equipment	557	320
Insurance	1,036	992
Office	10,910	9,931
Professional development and training	-	79
Professional fees	11,570	13,927
Recruiting	-	1,360
Rent	16,969	16,437
Salaries and benefits	28,901	27,102
Travel and conferences	3,029	1,521
	111,106	406,770
OPERATING DEFICIT BEFORE OTHER LOSSES	(20,510)	(198,174)
OTHER LOSSES		
IMPAIRMENT LOSS ON INVESTMENT (Note 9)	(589,514)	(284,300)
LOAN RENEGOTIATION	(150,000)	-
OPERATING DEFICIT	\$ (760,024)	\$ (482,474)

See notes to financial statements



First Peoples Economic Growth Fund

BUSINESS CONTRIBUTION FUND (SCHEDULE 3) YEAR ENDED MARCH 31, 2016

	2016	2015
REVENUE		
Business Contribution Fund - Equity Fund	\$ 1,791,181	\$ 1,678,697
Business Contribution Fund - Operating	<u>301,973</u>	<u>278,593</u>
	2,093,154	1,957,290
ASSISTANCE COSTS	<u>1,354,265</u>	<u>2,025,759</u>
EXCESS (DEFICIENCY) OF REVENUE OVER ASSISTANCE COSTS	<u>738,889</u>	<u>(68,469)</u>
ADMINISTRATIVE COSTS		
Advertising and promotion	11,061	6,734
Amortization	3,996	2,733
Bank charges	10	18
Consulting fees	51,317	53,694
Equipment	1,172	721
Insurance	1,036	992
Office	13,583	11,929
Professional development and training	219	278
Professional fees	4,584	11,260
Recruiting	-	1,360
Rent	17,420	17,333
Salaries and benefits	199,376	195,985
Travel and conferences	<u>8,585</u>	<u>5,033</u>
	312,359	308,070
OPERATING SURPLUS (DEFICIT)	<u>\$ 426,530</u>	<u>\$ (376,539)</u>

See notes to financial statements