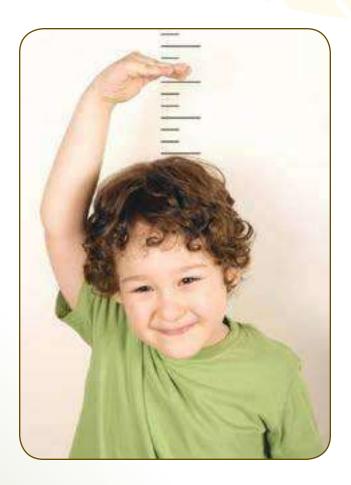


# FIRST PEOPLES economic growth fund



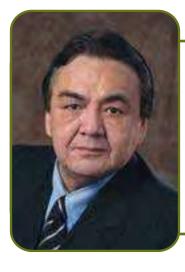
# Table of Contents

Greetings
Background of First Peoples Economic Growth Fund Inc2
Board of Directors
Chairperson's Message4
Chief Executive Officer's Message5
Guiding Principles
FPEGF Staff7
Financing Programs
Support Programs
Approved Loans and Support Applications
Approvals by <mark>G</mark> eographic Regions
Approvals by Program
Client Testimonials



Q

# Greetings



The Manitoba government is pleased to congratulate the management and staff of the First Peoples Economic Growth Fund as you issue your annual report.

Aboriginal economic development is a key contributor to our province's present and future growth. It promotes entrepreneurship, job creation, community development and cultural pride, building a stronger province for all Manitobans. I wish you continued success.

### Eric Robinson, Minister Aboriginal and Northern Affairs



On behalf of the Assembly of Manitoba Chiefs, I would like to acknowledge and congratulate the First Peoples Economic Growth Fund on another year of operations. Since 2007, the First Peoples Economic Growth Fund has been in existence to promote First Nations economic development and entrepreneurship in Manitoba.

It was clearly stated in *Wahbung: Our Tomorrows* that returnable investment activities based on lending programs, devised to stimulate economic activity, is one of the major influences in building First Nation economies. Those visionary leaders of *Wahbung: Our Tomorrows* identified the importance of establishing an organization that would support returnable investment, in order to build sustainable and successful First Nations in Manitoba.

As stated in *Wahbung: Our Tomorrows*, there needs to be a complementary and responsive administration that can, in a meaningful way, respond to realistic local initiatives. Based on the mutual commitment of Manitoba and the Assembly of Manitoba Chiefs, the First Peoples Economic Growth Fund was established to be an ongoing economic development fund and serves the purposes supported by Wahbung.

I am pleased that First Peoples Economic Growth Fund is able to assist First Nations and First Nation entrepreneurs in achieving economic well-being by providing a range of financing opportunities. The support is much needed in the development of business plans, skills development, and securing of conventional lending.

I would like to acknowledge the Board of Directors, along with the staff, of First Peoples Economic Growth Fund for the work and contributions to strengthen First Nations economy. We look forward to many more successful stories in the years to come.

Meegwetch, Ekosani, Mahsi Cho, Wopida, Thank you.

Sincerely,

**ASSEMBLY OF MANITOBA CHIEFS** 

Director

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



Annual Report 2011-2012

# **Background of FPEGF Inc.**

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

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

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

### **Financing Programs**

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

### Support Programs

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

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 Government 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 Government of Manitoba are as follows:



Patricia Turner, FPEGF Chairperson CEO, ET Development Incorporated; co-founder of Aboriginal Chamber of Commerce



Bob Silver, FPEGF Vice Chairperson President, Western Glove Works



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.

## **Chairperson's Message**



The 2011/12 Fiscal Year proved to be very busy. Sixteen loans were approved totaling over \$3 million – six of these were in our Community Economic Expansion Program, doubling the number from previous years. This is definitely a positive result as more communities are becoming aware of this program and taking advantage of the interest-free loan and potential non-repayable portion.

Our Resource & Energy Investment Program (REIP), funded by the Major Projects and Investment Funds program of Aboriginal Affairs & Northern Development Canada (AANDC), Manitoba Hydro and FPEGF, was extended an additional year and the funding arrangement with AANDC

was amended to reflect this. The financing aspect of projects that fall under the REIP tend to be very large and complex and take additional time to put together. The addition of a fourth year for the REIP allows us time to work with our clients to finalize their financing proposals.

An Independent Evaluation of the impact and effectiveness of our programs took place during the 2011/12 Fiscal Year, as required in our agreement with the Province of Manitoba and the Assembly of Manitoba Chiefs. Detailed interviews were held with clients, community leaders of Manitoba First Nations, stakeholders, Board members, staff and management, and our target market. The Evaluation stated:

"Generally speaking, stakeholders feel the fund is successfully meeting its objectives. Although specific suggestions for improvement were offered, such as raising awareness of its programs and finding ways to provide more financial assistance, most feel the Fund has achieved significant success in a relatively short amount of time."

The Evaluation resulted in a series of recommendations on various topics, such as the reach of FPEGF, our objectives and principles, potential client awareness of FPEGF, to name a few. Both qualitative and quantitative factors were taken into consideration as well. The Board and staff have been working on developing an Implementation Plan for the recommendations in order to improve the responsiveness of First Peoples Economic Growth Fund to our target market.

We continue to have a strong working relationship with the Assembly of Manitoba Chiefs and the Province of Manitoba, and look forward to another year of success for our clients and Manitoba.

**Patricia Turner** 

## **Chief Executive Officer's Message**



This year was our most eventful and demanding year to date. The staff was busy with new applicants and we approved a total of 16 new loans for over \$3.1 million, leveraging \$7.4 million for a total impact of \$10.5 million in Manitoba. We also approved 19 Support Applications for \$186,000, leveraging about \$70,000 for a total of \$256,000. We continued to work with our previously approved clients ensuring that the terms of financing are being met and they are on solid financial ground with their respective enterprises. We are encouraged by the tenacity of our entrepreneurs who continue to find ways to not only survive, but in some cases, expand their business ventures. Finally much time and attention was spent on the few loan clients that are experiencing some economic difficulty. We work very closely with those clients to try and assist them to succeed through difficult times.

Besides our new and existing clients keeping us busy, we undertook a partnering arrangement to look at the possibility of implementing a Business Readiness initiative in Manitoba that would assist Aboriginal communities to build capacity to do business deals typically with larger non-Aboriginal companies. The initial business plan for this initiative should be completed in the summer of 2012. A similar program has shown some success in Saskatchewan and we would like to see that type of assistance here in Manitoba.

We also participated in an Independent Evaluation of our organization which was completed in fall/winter 2011. We are encouraged by the Evaluation's honest feedback and its recommendations for improvement. Regarding the "Impact of the Fund," the Evaluation states:

"Virtually all applicants who accessed the Fund felt that the programs they accessed had an extremely positive impact on their respective businesses. Many of these individuals stressed that they would not be in business today without the business plan support and/or loan that they received from the Fund. Several applicants reported that they had a great deal of difficulty accessing conventional credit from financial institutions, and that receiving both business plan assistance (in the form of a non-repayable grant) as well as a portion of their start-up capital from FPEGF helped close the gap that needed to be filled by other sources of financing."

The Evaluation resulted in a variety of recommendations for consideration in several areas that we could improve upon. These recommendations will form the basis for an Implementation Plan which will involve the participation of the Board and staff. We anticipate completion of the Implementation Plan during the late summer (August/September) of 2012.

The very slow economic recovery has affected all parts of the Manitoba economy in one way or another. We feel that this has had an impact on the number and size of projects we have seen and approved this year. While 16 loan approvals again this year is good we felt there would have been more with a stronger economy.

Management has focused a significant amount of time and effort on the larger-scale projects which have been taking a very long time to develop into an investment-ready state. Many of the larger opportunities have proven to have little or no investment potential during these economic times. We are however moving forward with a select few projects that still hold a very good chance of success.

I want to acknowledge the staff for their hard work with existing and new clients. They continue to come together as a team to get the job done. I also want to acknowledge their efforts in building a strong network of colleagues in the banks, credit unions and other financial institutions in Manitoba.

We continue to attend business workshops in communities as well as conferences and tradeshows sponsored by Tribal Councils, First Nations, political organizations and others who have the goal of increasing First Nations business success in Manitoba.

I also wish to thank our volunteer Board Members for their continued guidance and support in all aspects of our business. Their cumulative business knowledge and expertise are an invaluable asset to our organization and our clients.

Ian Cramer

# **Guiding Principles**

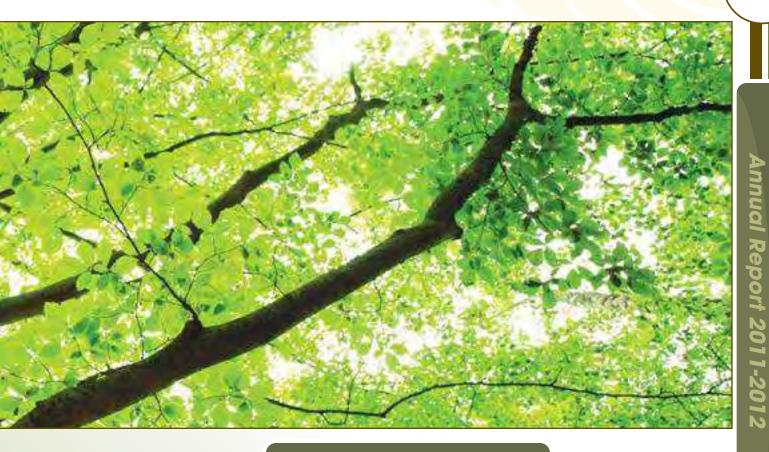
- The Fund will only support those projects that are economically viable and provide a positive return on investment to First Nations entrepreneurs, communities and FPEGF.
- Leveraging other investment dollars is critical to the growth of the First Nation's economy and must be demonstrated by every business 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**



Back, Left to Right: Front, Left to Right: Dale Plewak, Senior Loans Manager; lan Cramer, Chief Executive Officer; Daryl Bone, Senior Loans Manager Joyce Lillie, Accountant/Office Manager; Yvonne Dubois, Loans Administrator/Executive Assistant; Tricia Sly, Receptionist/Administrative Assistant



- 7 -

# **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. The maximum loan amount is \$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 subordinated 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 Nationbased enterprises which, in the opinion of the Fund, have a business concept that, through initial screening, provides excellent opportunity, but demonstrates a need for financial assistance to develop a professional business plan.

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

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.

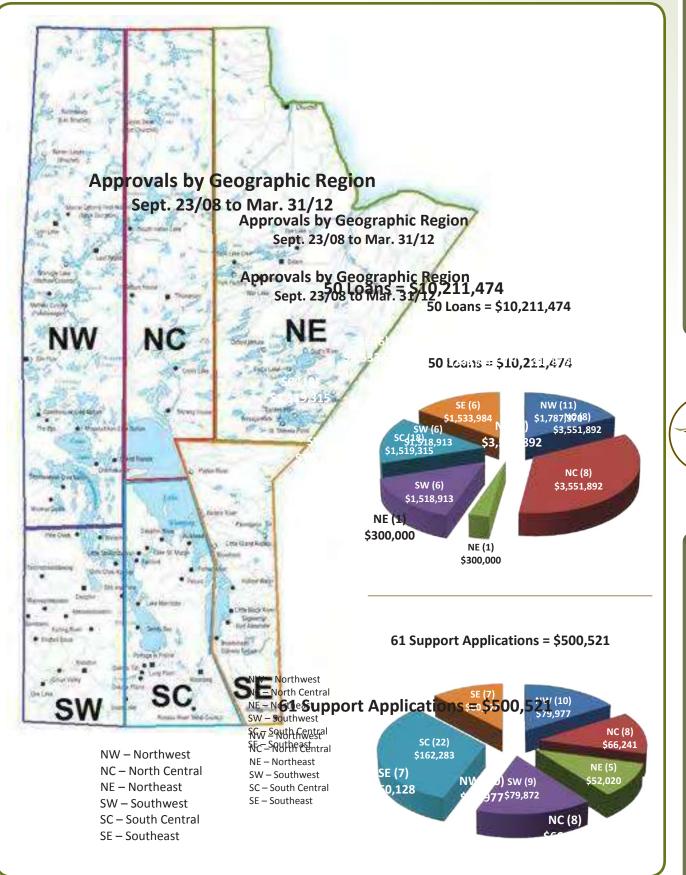
# **Approved Loans and Support Applications**

For Period April 1, 2011 to March 31, 2012

Loans Approved					
Type Industry	Geographic	Jobs	Amount	Leveraged	Total
	Region	Created	(a)	(b)	(a + b)
CE* Gambling Industries	NW	9	300,000	925,000	1,225,000
CE* Engineering Services	NW	3	35,000	65,750	100,750
CE* Grocery Stores	NW	12	300,000	2,296,598	2,596,598
CE Grocery Stores	SW	8	300,000	339,065	639,065
CE* Business Service Centres	SW	10	300,000	643,749	943,749
CE Heavy & Civil Engineering	SE	5	300,000	763,000	1,063,000
EL Air Transportation	NC		26,722	26,990	53,712
EL Heavy & Civil Engineering	SC		12,630	15,947	28,577
EL Fishing	SC		15,000	15,150	30,150
EL* Construction of Buildings	SC	4	91,500	92,415	183,915
EL* Truck Transportation	SC	5	139,000	140,390	279,390
EL Fishing	SC	1	12,000	14,120	26,120
EL Offices of Other Health Practitioners	SC	1	16,290	22,873	39,163
EL Electrical Contractors	SC	7	87,500	88,375	175,875
EL* Gasoline Stations	SE	4	200,000	223,019	423,019
JV* Grocery Stores	NC	15	1,000,000	1,685,000	2,685,000
Total16 Loans Approved	ah 01/10 Camm	84	<b>3,135,642</b>	7,357,441	10,493,083
* Loan dollars have not been disbursed as at Marc	ch 31/12. Comm	itments will be o	lisbursed once all Loan Term	ns and Conditions are met.	
Grand Total from September 23/08 to Marc	h 31/12				
50 Loans Approved		211	10,211,474	28,665,267	38,876,741
CE – Community Economic Expansion	EL – Entreprene	ur Loan	JV – Joint Venture	RE – Resource & Energy Ir	nvestment
Support Applications Approv	ved				
TypeIndustry		Geographic	Amount	Leveraged	Intal)
		• •		-	Total)
AC* Crooppy Stores		Region	(a)	(b)	(a + b
AC* Grocery Stores		Region SW	<b>(a)</b> 18,184	<b>(b)</b> 6,062	<b>(a + b</b> 24,246
BP Gambling Industries	nsulting Sorvic	Region SW NW	<b>(a)</b> 18,184 11,250	(b) 6,062 3,750	<b>(a + b</b> 24,246 15,000
BP Gambling Industries BP* Management, Scientific & Technical Co.	nsulting Servic	Region SW NW ces NC	(a) 18,184 11,250 15,750	(b) 6,062 3,750 5,250	<b>(a + b</b> 24,246 15,000 21,000
BP Gambling Industries BP* Management, Scientific & Technical Co BP* Heavy & Civil Engineering	-	Region SW NW ces NC NC	(a) 18,184 11,250 15,750 3,000	(b) 6,062 3,750 5,250 1,000	(a + b 24,246 15,000 21,000 4,000
<ul> <li>BP Gambling Industries</li> <li>BP* Management, Scientific &amp; Technical Compression</li> <li>BP* Heavy &amp; Civil Engineering</li> <li>BP Commercial, Industrial Machinery, Equipment</li> </ul>	-	Region SW NW ees NC NC sing NC	(a) 18,184 11,250 15,750 3,000 11,250	(b) 6,062 3,750 5,250 1,000 8,750	(a + b 24,246 15,000 21,000 4,000 20,000
<ul> <li>BP Gambling Industries</li> <li>BP* Management, Scientific &amp; Technical Con</li> <li>BP* Heavy &amp; Civil Engineering</li> <li>BP Commercial, Industrial Machinery, Equipm</li> <li>BP* Gambling Industries</li> </ul>	-	Region SW NW ees NC NC sing NC NE	(a) 18,184 11,250 15,750 3,000 11,250 6,064	(b) 6,062 3,750 5,250 1,000 8,750 2,021	(a + b 24,246 15,000 21,000 4,000 20,000 8,085
<ul> <li>BP Gambling Industries</li> <li>BP* Management, Scientific &amp; Technical Con</li> <li>BP* Heavy &amp; Civil Engineering</li> <li>BP Commercial, Industrial Machinery, Equipmercial</li> <li>BP* Gambling Industries</li> <li>BP Grocery Stores</li> </ul>	-	Region SW NW ees NC NC sing NC NE SW	(a) 18,184 11,250 15,750 3,000 11,250 6,064 7,500	(b) 6,062 3,750 5,250 1,000 8,750 2,021 2,500	(a + b 24,246 15,000 21,000 4,000 20,000 8,085 10,000
<ul> <li>BP Gambling Industries</li> <li>BP* Management, Scientific &amp; Technical Con</li> <li>BP* Heavy &amp; Civil Engineering</li> <li>BP Commercial, Industrial Machinery, Equipmer</li> <li>BP* Gambling Industries</li> <li>BP Grocery Stores</li> <li>BP* Hunting &amp; Fishing Camps</li> </ul>	nent Rental/Lea	Region SW NW Sees NC NC Sing NC NE SW SW SW	(a) 18,184 11,250 15,750 3,000 11,250 6,064 7,500 8,175	(b) 6,062 3,750 5,250 1,000 8,750 2,021 2,500 4,825	(a + b 24,246 15,000 21,000 4,000 20,000 8,085 10,000 13,000
<ul> <li>BP Gambling Industries</li> <li>BP* Management, Scientific &amp; Technical Con</li> <li>BP* Heavy &amp; Civil Engineering</li> <li>BP Commercial, Industrial Machinery, Equipn</li> <li>BP* Gambling Industries</li> <li>BP Grocery Stores</li> <li>BP* Hunting &amp; Fishing Camps</li> <li>BP* Management, Scientific &amp; Technical Con</li> </ul>	nent Rental/Lea	Region SW NW ees NC NC sing NC NE SW SW ees SC	(a) 18,184 11,250 15,750 3,000 11,250 6,064 7,500 8,175 9,844	(b) 6,062 3,750 5,250 1,000 8,750 2,021 2,500 4,825 3,281	(a + b 24,246 15,000 21,000 4,000 20,000 8,085 10,000 13,000 13,125
<ul> <li>BP Gambling Industries</li> <li>BP* Management, Scientific &amp; Technical Con</li> <li>BP* Heavy &amp; Civil Engineering</li> <li>BP Commercial, Industrial Machinery, Equipm</li> <li>BP* Gambling Industries</li> <li>BP Grocery Stores</li> <li>BP* Hunting &amp; Fishing Camps</li> <li>BP* Management, Scientific &amp; Technical Con</li> <li>BP* Accommodation Services</li> </ul>	nent Rental/Lea	Region SW NW ees NC NC sing NC NE SW SW SW ees SC SC	(a) 18,184 11,250 15,750 3,000 11,250 6,064 7,500 8,175 9,844 15,375	(b) 6,062 3,750 5,250 1,000 8,750 2,021 2,500 4,825 3,281 5,125	(a + b 24,246 15,000 21,000 4,000 20,000 8,085 10,000 13,000 13,125 20,500
<ul> <li>BP Gambling Industries</li> <li>BP* Management, Scientific &amp; Technical Composition</li> <li>BP* Heavy &amp; Civil Engineering</li> <li>BP Commercial, Industrial Machinery, Equipmercial</li> <li>BP* Gambling Industries</li> <li>BP Grocery Stores</li> <li>BP* Hunting &amp; Fishing Camps</li> <li>BP* Management, Scientific &amp; Technical Composition</li> <li>BP* Accommodation Services</li> <li>BP* Specialty Trade Contractors</li> </ul>	nent Rental/Lea	Region SW NW ees NC NC sing NC NE SW SW ees SC	(a) 18,184 11,250 15,750 3,000 11,250 6,064 7,500 8,175 9,844	(b) 6,062 3,750 5,250 1,000 8,750 2,021 2,500 4,825 3,281	(a + b 24,246 15,000 21,000 4,000 20,000 8,085 10,000 13,000 13,125
<ul> <li>BP Gambling Industries</li> <li>BP* Management, Scientific &amp; Technical Composition</li> <li>BP* Heavy &amp; Civil Engineering</li> <li>BP Commercial, Industrial Machinery, Equipmers</li> <li>BP Grocery Stores</li> <li>BP* Hunting &amp; Fishing Camps</li> <li>BP* Management, Scientific &amp; Technical Composition</li> <li>BP* Accommodation Services</li> <li>BP* Specialty Trade Contractors</li> </ul>	nent Rental/Lea	Region SW NW ees NC NC sing NC NE SW SW SW SW SW SC SC SC	(a) 18,184 11,250 15,750 3,000 11,250 6,064 7,500 8,175 9,844 15,375 5,670	(b) 6,062 3,750 5,250 1,000 8,750 2,021 2,500 4,825 3,281 5,125 1,890	(a + b 24,246 15,000 21,000 4,000 20,000 8,085 10,000 13,000 13,125 20,500 7,560
<ul> <li>BP Gambling Industries</li> <li>BP* Management, Scientific &amp; Technical Composition</li> <li>BP* Heavy &amp; Civil Engineering</li> <li>BP Commercial, Industrial Machinery, Equipmercial</li> <li>BP* Gambling Industries</li> <li>BP Grocery Stores</li> <li>BP* Hunting &amp; Fishing Camps</li> <li>BP* Management, Scientific &amp; Technical Composition</li> <li>BP* Accommodation Services</li> <li>BP* Specialty Trade Contractors</li> <li>BP Administrative &amp; Support Services</li> </ul>	nent Rental/Lea	Region SW NW ees NC NC sing NC NE SW SW SW SW SC SC SC SC SC	(a) 18,184 11,250 15,750 3,000 11,250 6,064 7,500 8,175 9,844 15,375 5,670 3,750	(b) 6,062 3,750 5,250 1,000 8,750 2,021 2,500 4,825 3,281 5,125 1,890 1,250	(a + b 24,246 15,000 21,000 4,000 20,000 8,085 10,000 13,000 13,125 20,500 7,560 5,000
<ul> <li>BP Gambling Industries</li> <li>BP* Management, Scientific &amp; Technical Compression</li> <li>BP* Heavy &amp; Civil Engineering</li> <li>BP Commercial, Industrial Machinery, Equipmercial</li> <li>BP Grocery Stores</li> <li>BP* Hunting &amp; Fishing Camps</li> <li>BP* Management, Scientific &amp; Technical Compression</li> <li>BP* Accommodation Services</li> <li>BP* Specialty Trade Contractors</li> <li>BP Administrative &amp; Support Services</li> <li>BP* Grocery Stores</li> </ul>	nent Rental/Lea	Region SW NW ees NC NC sing NC NE SW SW SW SW SW SC SC SC SC SC SC	(a) 18,184 11,250 15,750 3,000 11,250 6,064 7,500 8,175 9,844 15,375 5,670 3,750 14,700	(b) 6,062 3,750 5,250 1,000 8,750 2,021 2,500 4,825 3,281 5,125 1,890 1,250 4,900	(a + b 24,246 15,000 21,000 4,000 20,000 8,085 10,000 13,000 13,125 20,500 7,560 5,000 19,600
<ul> <li>BP Gambling Industries</li> <li>BP* Management, Scientific &amp; Technical Con</li> <li>BP* Heavy &amp; Civil Engineering</li> <li>BP Commercial, Industrial Machinery, Equipm</li> <li>BP* Gambling Industries</li> <li>BP Grocery Stores</li> <li>BP* Hunting &amp; Fishing Camps</li> <li>BP* Management, Scientific &amp; Technical Con</li> <li>BP* Accommodation Services</li> <li>BP* Specialty Trade Contractors</li> <li>BP Administrative &amp; Support Services</li> <li>BP* Grocery Stores</li> <li>BP Construction of Buildings</li> </ul>	nent Rental/Lea	Region SW NW ees NC NC sing NC NE SW SW SW SW SW SW SC SC SC SC SC SC	(a) 18,184 11,250 15,750 3,000 11,250 6,064 7,500 8,175 9,844 15,375 5,670 3,750 14,700 5,670	(b) 6,062 3,750 5,250 1,000 8,750 2,021 2,500 4,825 3,281 5,125 1,890 1,250 4,900 1,890	(a + b 24,246 15,000 21,000 4,000 20,000 8,085 10,000 13,000 13,125 20,500 7,560 5,000 19,600 7,560
<ul> <li>BP Gambling Industries</li> <li>BP* Management, Scientific &amp; Technical Con</li> <li>BP* Heavy &amp; Civil Engineering</li> <li>BP Commercial, Industrial Machinery, Equipm</li> <li>BP* Gambling Industries</li> <li>BP Grocery Stores</li> <li>BP* Hunting &amp; Fishing Camps</li> <li>BP* Management, Scientific &amp; Technical Con</li> <li>BP* Accommodation Services</li> <li>BP* Specialty Trade Contractors</li> <li>BP Grocery Stores</li> <li>BP* Specialty Trade Contractors</li> <li>BP* Specialty Trade Contractors</li> </ul>	nent Rental/Lea	Region SW NW ees NC NC sing NC NE SW SW SW SW SW SW SC SC SC SC SC SC SC SC SC	(a) 18,184 11,250 15,750 3,000 11,250 6,064 7,500 8,175 9,844 15,375 5,670 3,750 14,700 5,670 5,434	(b) 6,062 3,750 5,250 1,000 8,750 2,021 2,500 4,825 3,281 5,125 1,890 1,250 4,900 1,890 1,890 1,811	(a + b 24,246 15,000 21,000 4,000 20,000 8,085 10,000 13,000 13,125 20,500 7,560 5,000 19,600 7,560 7,245
<ul> <li>BP Gambling Industries</li> <li>BP* Management, Scientific &amp; Technical Conserved Stores</li> <li>BP Commercial, Industrial Machinery, Equipmercial</li> <li>BP Gambling Industries</li> <li>BP Grocery Stores</li> <li>BP* Hunting &amp; Fishing Camps</li> <li>BP* Management, Scientific &amp; Technical Conservation Services</li> <li>BP* Specialty Trade Contractors</li> <li>BP Administrative &amp; Support Services</li> <li>BP* Grocery Stores</li> <li>BP Construction of Buildings</li> <li>BP* Specialty Trade Contractors</li> <li>BP Construction of Buildings</li> <li>BP* Specialty Trade Contractors</li> <li>BP Convenience Stores</li> </ul>	nent Rental/Lea nsulting Servic	Region SW NW ees NC NC sing NC NE SW SW SW SW SW SC SC SC SC SC SC SC SC SC SC SC SC	(a) 18,184 11,250 15,750 3,000 11,250 6,064 7,500 8,175 9,844 15,375 5,670 3,750 14,700 5,670 5,434 12,116	(b) 6,062 3,750 5,250 1,000 8,750 2,021 2,500 4,825 3,281 5,125 1,890 1,250 4,900 1,890 1,811 4,039	(a + b 24,246 15,000 21,000 4,000 20,000 8,085 10,000 13,000 13,125 20,500 7,560 5,000 19,600 7,560 7,245 16,155
<ul> <li>BP Gambling Industries</li> <li>BP* Management, Scientific &amp; Technical Composition</li> <li>BP* Heavy &amp; Civil Engineering</li> <li>BP Commercial, Industrial Machinery, Equipmercial</li> <li>BP Gambling Industries</li> <li>BP Grocery Stores</li> <li>BP* Hunting &amp; Fishing Camps</li> <li>BP* Management, Scientific &amp; Technical Composition</li> <li>BP* Accommodation Services</li> <li>BP* Specialty Trade Contractors</li> <li>BP Grocery Stores</li> <li>BP* Grocery Stores</li> <li>BP* Grocery Stores</li> <li>BP* Specialty Trade Contractors</li> <li>BP Construction of Buildings</li> <li>BP* Specialty Trade Contractors</li> <li>BP Convenience Stores</li> <li>BP* Gasoline Stations with Full Service Rest</li> </ul>	nent Rental/Lea nsulting Servic	Region SW NW ees NC NC sing NC NE SW SW SW SW SW SC SC SC SC SC SC SC SC SC SC SC SC SC	(a) 18,184 11,250 15,750 3,000 11,250 6,064 7,500 8,175 9,844 15,375 5,670 3,750 14,700 5,670 5,434 12,116 11,250	(b) 6,062 3,750 5,250 1,000 8,750 2,021 2,500 4,825 3,281 5,125 1,890 1,250 4,900 1,890 1,811 4,039 3,750	(a + b 24,246 15,000 21,000 4,000 20,000 8,085 10,000 13,000 13,125 20,500 7,560 5,000 19,600 7,560 7,245 16,155 15,000
<ul> <li>BP Gambling Industries</li> <li>BP* Management, Scientific &amp; Technical Composition</li> <li>BP* Heavy &amp; Civil Engineering</li> <li>BP Commercial, Industrial Machinery, Equipmercial</li> <li>BP* Gambling Industries</li> <li>BP Grocery Stores</li> <li>BP* Hunting &amp; Fishing Camps</li> <li>BP* Management, Scientific &amp; Technical Composition</li> <li>BP* Accommodation Services</li> <li>BP* Specialty Trade Contractors</li> <li>BP Grocery Stores</li> <li>BP* Grocery Stores</li> <li>BP* Grocery Stores</li> <li>BP Administrative &amp; Support Services</li> <li>BP* Specialty Trade Contractors</li> <li>BP Construction of Buildings</li> <li>BP* Specialty Trade Contractors</li> <li>BP Convenience Stores</li> <li>BP* Gasoline Stations with Full Service Rest</li> <li>BP* Transit &amp; Ground Passenger Transporta</li> </ul>	nent Rental/Lea nsulting Servic	Region SW NW ees NC NC sing NC NE SW SW SW SW SW SC SC SC SC SC SC SC SC SC SC SC SC SC	(a) 18,184 11,250 15,750 3,000 11,250 6,064 7,500 8,175 9,844 15,375 5,670 3,750 14,700 5,670 5,434 12,116 11,250 3,000	(b) 6,062 3,750 5,250 1,000 8,750 2,021 2,500 4,825 3,281 5,125 1,890 1,250 4,900 1,811 4,039 3,750 1,000	(a + b 24,246 15,000 21,000 4,000 20,000 8,085 10,000 13,000 13,125 20,500 7,560 5,000 19,600 7,560 7,245 16,155 15,000 4,000
<ul> <li>BP Gambling Industries</li> <li>BP* Management, Scientific &amp; Technical Composition</li> <li>BP* Heavy &amp; Civil Engineering</li> <li>BP Commercial, Industrial Machinery, Equipmercial</li> <li>BP Grocery Stores</li> <li>BP* Hunting &amp; Fishing Camps</li> <li>BP* Management, Scientific &amp; Technical Composition</li> <li>BP* Management, Scientific &amp; Technical Composition</li> <li>BP* Accommodation Services</li> <li>BP* Specialty Trade Contractors</li> <li>BP Grocery Stores</li> <li>BP* Grocery Stores</li> <li>BP* Grocery Stores</li> <li>BP* Grocery Stores</li> <li>BP* Construction of Buildings</li> <li>BP* Specialty Trade Contractors</li> <li>BP Convenience Stores</li> <li>BP* Gasoline Stations with Full Service Rest</li> <li>BP* Transit &amp; Ground Passenger Transportation</li> </ul>	nent Rental/Lea nsulting Servic taurants ation	Region SW NW ees NC NC sing NC NE SW SW SW SW SW SC SC SC SC SC SC SC SC SC SC SC SC SC	(a) 18,184 11,250 15,750 3,000 11,250 6,064 7,500 8,175 9,844 15,375 5,670 3,750 14,700 5,670 5,434 12,116 11,250 3,000 18,356 186,338	(b) 6,062 3,750 5,250 1,000 8,750 2,021 2,500 4,825 3,281 5,125 1,890 1,250 4,900 1,890 1,890 1,890 1,811 4,039 3,750 1,000 6,119	(a + b 24,246 15,000 21,000 4,000 20,000 8,085 10,000 13,000 13,125 20,500 7,560 5,000 19,600 7,560 7,245 16,155 15,000 4,000 24,475
<ul> <li>BP Gambling Industries</li> <li>BP* Management, Scientific &amp; Technical Composition</li> <li>BP* Heavy &amp; Civil Engineering</li> <li>BP Commercial, Industrial Machinery, Equipmercial</li> <li>BP Grocery Stores</li> <li>BP* Management, Scientific &amp; Technical Composition</li> <li>BP* Management, Scientific &amp; Technical Composition</li> <li>BP* Accommodation Services</li> <li>BP* Specialty Trade Contractors</li> <li>BP Grocery Stores</li> <li>BP* Grocery Stores</li> <li>BP* Grocery Stores</li> <li>BP* Grocery Stores</li> <li>BP* Specialty Trade Contractors</li> <li>BP Construction of Buildings</li> <li>BP* Specialty Trade Contractors</li> <li>BP Convenience Stores</li> <li>BP* Gasoline Stations with Full Service Rest</li> <li>BP* Transit &amp; Ground Passenger Transporta</li> <li>BP Gasoline Stations</li> </ul>	nent Rental/Lea nsulting Servic taurants ation Jarch 31/12. Actu	Region SW NW ees NC NC sing NC NE SW SW SW SW SW SC SC SC SC SC SC SC SC SC SC SC SC SC	(a) 18,184 11,250 15,750 3,000 11,250 6,064 7,500 8,175 9,844 15,375 5,670 3,750 14,700 5,670 5,434 12,116 11,250 3,000 18,356 186,338	(b) 6,062 3,750 5,250 1,000 8,750 2,021 2,500 4,825 3,281 5,125 1,890 1,250 4,900 1,890 1,890 1,890 1,811 4,039 3,750 1,000 6,119	(a + b 24,246 15,000 21,000 4,000 20,000 8,085 10,000 13,000 13,125 20,500 7,560 5,000 19,600 7,560 7,245 16,155 15,000 4,000 24,475

D

# Approvals by Geographic Region September 23/08 to March 31/12

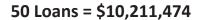


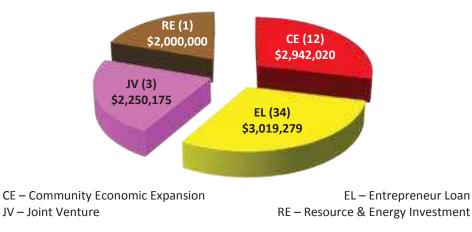
Annual Report 2011-2012

- 11 -

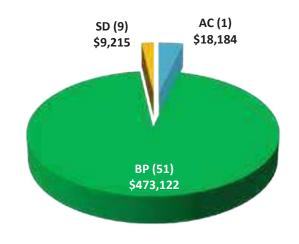
\$79,872

### Approvals by Program September 23/08 to March 31/12









AC – Aftercare

BP – Business Plan Assistance

SD – Skills Development



# FIRST PEOPLES economic growth fund

# **Client Testimonials**

Annual Report 2011-2012

**Terry Cook,** Cooks Campground & Cabins



Left to Right: Daryl Bone and Terry Cook

I approached First Peoples Economic Growth Fund (FPEGF) with a plan to purchase and expand an existing business – a campground located on Cedar Lake, north of Grand Rapids, Manitoba. I was new in the small business world and found the staff at FPEGF able to assist me greatly in getting the required information and professional help needed to do valuations of the campground and to do a proper business plan for the intended future development of the business.

Most of the work I did with FPEGF was with Daryl Bone, Senior Loans Manager. I found Daryl easy to speak to, full of information and ideas on how to develop the business and what to look for in professional help with the valuation of the business and setting forth a business plan.

Daryl and all the staff I met at FPEGF were easy to speak with. The staff made the application, valuation and planning of the business as simple as possible for a newcomer in the small business world.

Overall if someone is willing work on the development of a business and provide information, the staff at FPEGF can be of great help with funding and getting a prospective business the support it requires.

### **Allen Morrison,** Big Deal Catering & Event Planning



Big Deal Catering is a Winnipeg based First Nation owned and operated catering business. We started business in the fall of 2011 and have been very successful in serving a large and diverse client base throughout the city. Big Deal Catering also provides food services for my existing business, a nightclub and restaurant in downtown Winnipeg.

I have owned my business since 2001 and felt that I had not fully realized the potential of the business in regards to food sales. I decided that the natural and logical step to expand my company would be to include a catering service that would allow me to reach that potential.

In 2009 I attended a conference which included a presentation by First Peoples Economic Growth Fund (FPEGF) detailing the assistance they could provide. Shortly after the conference I arranged a meeting at their office and spoke to the staff.

They were able to financially assist me in finalizing a business plan and by providing a loan that was instrumental in getting me to the goal of expanding and renovating my space to include Big Deal Catering. This accomplishment would not have been possible without the support and assistance of the FPEGF staff and especially the guidance and advice I received from Senior Loans Manager Daryl Bone.

I am thankful and grateful that such an organization exists to help First Nation people achieve greater business success in the community!

### **Billie Fontaine**, Anatomy of the Spirit

My name is Billie Fontaine a member of Sagkeeng First Nation in Manitoba. I have been a Registered Massage Therapist for 10 years operating mainly in Winnipeg, MB. I wanted to expand my existing business by getting certified as a laser technician and purchasing one of the best Class IV laser systems available. I learned about this machine by getting treated for one of my own injuries. I did the research to see if a RMT was able to do the training and own a laser system such as LiteCure.

I approached First Peoples Economic Growth Fund (FPEGF) with my business plan to purchase this equipment and expand my business. Dale Plewak, FPEGF Senior Loans Manager, was absolutely thorough and knowledgeable. He advocated on my behalf when I hit a stall in my plan and assisted on getting my project going again.



Billie Fontaine, RMT, owner of Anatomy of the Spirit, with client

I was very pleased with the service and professionalism overall with the staff at First Peoples Economic Growth Fund. I feel they have an understanding of how to approach First Nations people and can bridge us into the business world successfully. The support is continuous and so are the smiles. I felt really comfortable with everyone there.

I am truly grateful for your assistance in making my vision come true! Thank you to Dale Plewak and all the staff at First Peoples Economic Growth Fund!

### **Skownan First Nation,** Skownan Business Centre

Thank you for your recent approval toward our Skownan Business Centre loan. As you are fully aware we have been pursuing the start-up of our community business centre and now it has become a reality with the approval of our loan application with your program. We are still waiting for approval from other financers, however we feel very confident that it will be approved shortly.



We are motivated with the determination and vision to develop a strong economy by creating community owned businesses. We see economic development as a means to grow by developing businesses in and around the community through various economic activities under our much needed Business Development Corporation and Centre. We are determined to promote a prosperous and innovative, competitive, and eco-efficient economy within our community as this will promote the idea of higher standards of living, employment and wellbeing in our community.

We would like to also thank you for appointing Dale Plewak to the file as he has been a great resource and asset to our project. He has shown professionalism and given support toward our initiative and working with us in many aspects. During the business plan creation he gave assistance where normally it's unheard of, so for that we thank him and FPEGF for the support. We feel this is just the beginning and we will work hard to assure your confidence in us and our community.

Thanking you for your continued support toward our community,

Chief & Council Skownan First Nation



# FIRST PEOPLES economic growth fund

# Audited Financial Statements

# **Auditors' Report**

#### **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, 2012 and the statements of revenues and expenditures 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants, LLP Winnipeg, Manitoba July 4, 2012



100-123 Bannatyne Ave., Winnipeg, MB R3B 0R3 Telephone: (204) 943-4584 Fax: (204) 957-5195 Toll Free: 1-866-EXG-0303 E-mail: info@exg.ca Website: www.exg.ca

- 19 -

Statement of Financial Position As at March 31, 2012

	General Business Assistance Program	Resource an Energy Investment Program		2011	
ASSETS					
CURRENT					
Cash and cash equivalent Short-term investments	6,234,307 4,876,399	\$ - 5,250,0	\$ 6,234,307 00 10,126,399	\$ 6,134,163 8,000,496	
Accrued interest and other receivables	69,087	60,8	09 129,896	87,886	
Prepaid expenses	25,170		25,170	6,669	
Interfund balance	145,696	(145,6		-	
	11,350,659	5,165,1	13 16,515,772	14,229,214	
PROPERTY AND EQUIPMENT (Note 7)	24,676	1,4	79 26,155	56,532	
LOANS RECEIVABLE (Notes 5, 6)	3,739,064	-	3,739,064	3,099,896	
	<u>\$ 15,114,399</u>	\$ 5,166,5	<mark>92 \$ 20,280,991</mark>	\$ 17,385,642	
LIABILITIES					
CURRENT					
Accounts payable and accrued					
liabilities	\$ 71,549	\$ -	\$ 71,549	\$ 54,248	
Deferred revenue	49,934	_	49,934	43,545	
	121,483	-	121,483	97,793	
NET ASSETS					
Contributed surplus (Note 2)	-	3,750,0	00 3,750,000	3,750,000	
Net assets	14,992,916	1,416,5	92 16,409,508	13,537,849	
	14,992,916	5,166,5	92 20,159,508	17,287,849	
	\$ 15,114,399	\$ 5,166,5	<b>92</b> \$ 20,280,991	\$ 17,385,642	

RESTRICTIONS AND COMMITMENTS (Note 10)

**ON BEHALF OF THE BOARD** clor Director

First Peoples Economic Growth Fund

#### FIRST PEOPLES ECONOMIC GROWTH FUND INC. Statement of Revenues and Expenditures Statement of Revenues and Expenditures For the year ended March 31, 2012

Year Ended March 31, 2012

	General Business Assistance Program	Resource and Energy Investment Program		2012	2011
<b>REVENUE</b> Contributions Province of Manitoba					
Annual	\$ 3,791,200	\$	-	\$ 3,791,200	\$ 3,791,200
Miscellaneous	697		-	697	150
Interest on short-term investments	216,536		120,071	336,607	284,014
Interest on loans receivable	221,428		-	221,428	109,639
Loan fees	 5,587		_	5,587	2,273
	4,235,448		120,071	4,355,519	4,187,276
ASSISTANCE COSTS	 500,620		-	500,620	761,972
Excess of revenue over expenses					
before administrative costs	3,734,828		120,071	3,854,899	3,425,304
EVDENCES					
EXPENSES Advertising and promotion Amortization of property and	29,189		8,007	37,196	28,313
equipment	28,955		1,423	30,378	35,814
Bad debts	140,738		-	140,738	-
Bank charges	397		60	457	209
Equipment expense	2,782		235	3,017	4,627
Insurance	2,526		842	3,368	3,347
Office expense	28,902		9,655	38,557	38,056
Evaluation expense	48,752		29	48,781	-
Professional fees	56,987		91,935	148,922	166,751
Recruiting	6,473		64	6,537	-
Rent Salaries and benefits	31,244		10,415	41,659	40,173
Travel and conferences	405,164 20,576		52,978 4,912	458,142 25,488	421,437 19,742
	 802,685		180,555	983,240	758,469
EXCESS OF REVENUE OVER EXPENSES	 2,932,143		(60,484)	2,871,659	2,666,835
NET ASSETS - BEGINNING OF YEAR	12,060,773		1,477,076	13,537,849	10,871,014
NET ASSETS - END OF YEAR	\$ 14,992,916	\$	1,416,592	\$ 16,409,508	\$ 13,537,849

Annual Report 2011-2012

3

# **Statement of Cash Flows** For the year ended March 31, 2012

		2012	 2011
OPERATING ACTIVITIES			
Excess of revenue over expenses	\$	2,871,659	\$ 2,666,834
Items not affecting cash:		, ,	, ,
Amortization of property and equipment		30,378	35,814
Bad debts		140,738	-
Interest accretion		(221,428)	(106,376)
Loan discount expenses		388,841	640,983
		3,210,188	3,237,255
Changes in non-cash working capital:			
Accrued interest and other receivables		(42,011)	33,118
Accounts payable and accrued liabilities		17,301	9,408
Deferred revenue		6,389	29,398
Prepaid expenses	_	(18,501)	1,246
	_	(36,822)	73,170
Cash flow from operating activities		3,173,366	3,310,425
NVESTING ACTIVITIES			
Loans granted		(1,501,704)	(2,999,795
Loan repayments		554,385	256,053
Purchase of property and equipment		-	(4,613
Purchase of short-term investments		(2,125,903)	(8,000,516
Sale of short term investments	_	-	9,850,020
Cash flow used by investing activities		(3,073,222)	(898,851)
NCREASE IN CASH		100,144	2,411,574
CASH - BEGINNING OF YEAR		6,134,163	3,722,589
CASH - END OF YEAR	\$	6,234,307	\$ 6,134,163
CASH FLOWS SUPPLEMENTARY INFORMATION			

U

#### 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:

#### **FinancingPrograms**

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

#### **SupportPrograms**

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

#### (continues)

Annual Report 2011-2012

### **Notes to Financial Statements** For the year ended March 31, 2012 Notes to Financial Statements

#### Year Ended March 31, 2012

#### 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 ("INAC") entered into an agreement to create the Resource and Energy Investment Program ("REIP"). The REIP will be funded as follows: INAC \$3,000,000, the Corporation \$1,500,000 and Manitoba Hydro \$750,000. The programs and goals of the REIP will focus on the following:

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 nongovernmental 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.

Administrative activities of the REIP have commenced during the year. Conditional approvals have occurred.

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. 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:

#### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and guaranteed investment certificates that can be redeemed at the request of the Corporation with original terms to maturity less than 90 days.

#### 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.

(continues)

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

#### 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.

#### Revenue recognition

Amounts received or receivable pursuant to the agreement with the Province 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 are recognized over the term of the respective loan.

Amounts received that do not meet these revenue recognition criteria are reflected as deferred revenue.

#### 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:

20%

50%

20%

Leasehold improvements
Office furniture
Computer equipment
Website development

Term of leasehold plus one renewal period straight-line method straight-line method straight-line method

#### 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.

#### **Financial instruments**

The corporation has elected to apply CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation in place of CICA Handbook Sections 3862 and 3863.

The corporation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. The corporation's accounting policy for each category is as follows:

(continues)

Annual Report 2011-2012

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

Cash and cash equivalents	Held for trading
Short-term investments	Loans and receivables
Accrued interest and other receivables	Loans and receivables
Contributions receivable	Loans and receivables
Loans receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

#### Assets held-for-trading

Financial instruments classified as assets held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in excess (deficiency) of revenue over expenses in the period during which the change occurs. Transaction costs are expensed when incurred.

In these financial statements, cash and cash equivalents have been classified as held-for-trading.

#### Available-for-sale investments

Financial instruments classified as available-for-sale are reported at fair value at each balance sheet date, and any change in fair value is recognized in net assets in the period in which the change occurs. All transactions related to marketable securities are recorded on a settlement date basis.

In these financial statements, no items have been classified as available-for-sale.

#### Held-to-maturity investments

Financial instruments classified as held-to-maturity are financial assets with fixed or determinable payments and fixed maturities that the corporation's management has the positive intention and ability to hold to maturity. These assets are initially recorded at fair value and subsequently carried at amortized cost, using the effective interest rate method. Transaction costs are included in the amount initially recognized.

In these financial statements, no assets have been classified as held-to-maturity.

#### Loans and receivables and other financial liabilities

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are expensed when incurred.

In these financial statements, short-term investments, accrued interest and other receivables, contributions receivable, and loans receivable have been classified as loans and receivables. Accounts payable and accrued liabilities have been classified as other financial liabilities.

Future changes in significant accounting policies

The Accounting Standards Board will be implementing Part III of the CICA Handbook Accounting Standards for Not-for-Profit Organizations effective January 1, 2012. The corporation will be assessing the impact of the new standards on its financial statements over the next year. Early adoption is permitted for the new standards.

#### For the year ended March 31, 2012

#### 4. FINANCIAL INSTRUMENTS

The company 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 company's risk exposure and concentration as of March 31, 2012.

#### 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.

#### Fair value risk

The Corporation's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

The fair value of loans receivable match the carrying value. All loans are discounted using the amortized cost method of accounting for loans and receivables. Details regarding the discounting of these loans is described in Note 6.

#### LOANS RECEIVABLE 5.

Loans are classified as follows:

	_	2012	2011
Entrepreneurship Loans Community Expansion Loans Joint Venture Loans	\$	1,649,834 1,021,995 1,207,973	\$ 1,598,154 539,067 962,675
llowance for doubtful accounts	<u> </u>	<u>(140,738)</u> 3,739,064	\$ 3,099,896

- 27 -

#### 6. RECONCILIATION OF LOANS RECEIVABLE

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

			2012		2011
Loans receivable - beginning of year Gross loans granted Provision for forgiveness <sup>(1)</sup> Allowance for doubtful accounts Interest rate discount to fair value <sup>(2)</sup>	\$ 1,501,704 (225,000) (140,738) (163,841)	\$	3,099,896 - - 972,125	\$ 2,999,795 (150,000) (490,985)	\$ 890,763 - 2,358,810
Interest accretion Less: Loan repayments received		_	221,428 (554,385)	-	 106,376 (256,053)
		\$	3,739,064		\$ 3,099,896

(1) At the Corporation's option, up to 25% of the gross loans under the Community 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 \$225,000 (2011 - \$150,000) for the full amount that can be forgiven.

<sup>(2)</sup> The loans receivable 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 \$1,501,704 (2011 - \$2,999,795) (before the provision for forgiveness noted above) were discounted by \$163,841 (2011 - \$490,985)

As a result, loans granted in the year having a face value of \$1,501,704 (2011 - \$2,999,795), were discounted to fair value of \$1,337,863 (2011 - \$2,358,810). The Corporation recorded the provision for forgiveness and the interest rate discount to fair value totaling \$388,841 (2011 - \$640,985) as program expenses, which are included in assistance costs.

Interest income accretes on the loans receivable at a rate equal to the discount rate used at inception. Interest accretion in the amount of \$221,428 (2011 - \$106,376) was recorded as interest on loan receivable.

The Corporation has determined that an allowance for loan losses in the amount of \$140,738 (2011 - \$NIL) was required at March 31, 2012. This allowance represents the present value of the amounts determined to be uncollectible using the same discount rate as the loans granted.

#### 7. PROPERTY AND EQUIPMENT

	 Cost	 cumulated ortization	Ν	2012 Net book value	1	2011 Net book value
Leasehold improvements Office furniture Computer equipment	\$ 26,143 97,325 25,579	\$ 26,084 75,685 25,579	\$	59 21,640	\$	6,595 41,105 1,806
Website development	 12,853	8,397		4,456		7,026
	\$ 161,900	\$ 135,745	\$	26,155	\$	56,532

#### For the year ended March 31, 2012

#### PENSION PLAN 8.

The company has a defined contribution pension plan for its employees. The employees are responsible for paying half of the contributions into the plan, and the Company matches these contributions. The Company's expenses related to this plan for the current year were \$19,659 (2011 - \$18,973).

#### 9. FUNDING COMMITMENT

On April 1, 2008, pursuant to the Unanimous Members Agreement, the Province and the Corporation entered into a five year funding agreement that will see the Corporation receive annual contributions from the Province in varying amounts based on the net income of the Manitoba Lotteries Corporation. Minimum contributions under this arrangement were originally as follows:

Fiscal year ending March 31, 2012 \$5,200,000

Under the terms of the funding agreement, the parties also agreed to negotiate a new funding agreement for periods after March 31, 2012.

During the year ended March 31, 2010, the Corporation received a letter from the Province requesting an amendment to the existing funding agreement. The proposed amendment provides for the following fixed contributions:

Fiscal year ending	March 31, 2012	\$3,791,200
	March 31, 2013	\$3,791,200

#### 10. RESTRICTIONS AND COMMITMENTS

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

Loans receivable	\$ 4,365,500
Business plan assistance	 192,091

\$ 4,557,591

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 payment under lease agreements are as follows:

(continues)

# Notes to Financial Statements

For the year ended March 31, 2012

March

#### 10. RESTRICTIONS AND COMMITMENTS (continued)

h 31, 2013	40,167
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 referred to in note 9.

#### 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.

#### 11. ALLOCATED EXPENSES

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

#### 12. CAPITAL DISCLOSURE

The Corporation's key capital objective is to maintain sufficient levels of capital so as to be able to provide for the long-term sustainability of the Corporation. Capital is largely made up of the contributions described in notes 2, 9 and 10.

Under the terms of its Unanimous Members Agreement, the Corporation cannot borrow or enter into any form of indebtedness.