



FIRST PEOPLES
economic growth fund

2017-2018
Annual Report





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A MESSAGE FROM THE MINISTER



On behalf of the Manitoba government, I am pleased to acknowledge another great year of dedication and hard work by the management and staff of the First Peoples Economic Growth Fund.

Your organization's commitment supports Indigenous entrepreneurs to develop, launch and grow business enterprises that create jobs and contribute to the economy. The support for Indigenous economic development helps individuals and communities thrive together and creates the momentum necessary to make Manitoba the most improved province.

Your accomplishments this past year have improved the lives of individuals and communities across Manitoba. I hope these success stories continue to inspire your work.

HONOURABLE EILEEN CLARKE, MINISTER
MANITOBA INDIGENOUS
AND NORTHERN RELATIONS



A MESSAGE FROM THE GRAND CHIEF



The Assembly of Manitoba Chiefs would like to congratulate the First Peoples Economic Growth Fund staff and board members for successfully supporting business development to First Nations in Manitoba for another year.

In 2005 the Chiefs-in-Assembly agreed to enter into a Letter of Understanding with the Government of Manitoba which established the First Peoples Economic Growth Fund. The Fund was developed to provide provincial net gaming revenue to First Nations' economic development opportunities in a number of areas including: job creation; business development; business education and training; and joint ventures.

It is this foresight that has helped our citizens to build pride in themselves and the community. As well, innovative partnerships promote reconciliation, collaboration and the recognition of common values and goals. These kinds of partnerships help to coordinate local action to address regional issues and build a stronger, more sustainable economy for all.

Creating strong partnerships with First Nations is not only important work, it's also smart because when First Nations do well, everyone does well.

Sincerely,

ARLEN DUMAS, GRAND CHIEF
ASSEMBLY OF MANITOBA CHIEFS





Background of FPEGF

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

Support Programs

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

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





Board of Directors

The 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 members of the Board jointly appointed by AMC and the Province of Manitoba are as follows:



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



Bob Silver,
FPEGF Vice Chairperson
President,
Western Glove Works



Bob Brennan,
**FPEGF Secretary/
Treasurer**
Retired;
former President
and CEO,
Manitoba Hydro



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

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.



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. 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.

Community Economic Expansion Program

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

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

Entrepreneur Loan Program

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

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





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.

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.

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.

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 Services Canada.



CEO's Message 2017/18



It is our pleasure to present our 10th Annual Report since we opened our office in September 2008. (Note that our first annual report in 2008/09 represented just a half year of operations.) In our first six months of 2008/09, we approved five loans for a total of \$479,000, almost \$100,000 per loan on average. This fiscal year, we approved 31 loans with a record dollar value of \$7,040,163 for an average loan size of just over \$227,000.

In our 9 ½ years of operations, we have an average loan size of over \$180,000, represented by 210 loan approvals for a total of \$37,891,970. Those loan dollars were used by our clients to leverage another \$93 million, for a total impact on the Manitoba economy of almost \$131 million. That's an average of \$13.8 million per year impact on the Manitoba economy.

To express our growth and the increased demand for our service, it is important to compare some of those overall dollar values to the last five years. Therefore, since the 2013/14 fiscal year, the average number of loans approved per year is 29 with a value of \$4.9 million per year. These approvals resulted in an impact of \$16.6 million per year on the Manitoba economy, including all the dollars leveraged on our loans. This growth is significant and more importantly there are no signs of it slowing down. In fact, with more entrepreneurs coming forward and taking risks and more urban reserves being approved throughout Manitoba, the demand for our financing and support programs will continue to increase.

As a non-profit organization, this growth in demand poses some challenges as all moneys received from our loans being repaid is ploughed back into our loan fund for the use and benefit of future First Nation businesses. We are, however, well-situated to meet those challenges as we have a strong governance model to guide us, lead by strong business people on our Board of Directors. (Sadly, this fiscal year we lost Joe Malcolm who passed away suddenly on June 4, 2017. He served on our Board for over seven years. We also wish our Board Chair, Patricia Turner, a full recovery from her accident in October 2017.)

In addition to a strong business Board of Directors our success to date and our ability to handle the growth in demand for our services is linked closely to the continued strong support for our Fund by our founding partners – the Province of Manitoba and the Assembly of Manitoba Chiefs. Without the support of both these governments, we would not be where we are today.

Last but certainly not least, we have to thank our hundreds of clients who continue to utilize our finance and support programs. It is these risk-takers that have fuelled the growth of our Fund year over year. We look forward to serving you and the next generation of First Nation businesses in the exciting years ahead.

IAN CRAMER
CEO



FPEGF Approved Loan and Support Applications

Loans Approved for Period April 1, 2017 to March 31, 2018

# 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	529,584	199,500	2,396,647	3,125,731	13
17 Entrepreneur Loan	736,148	400,400	602,869	1,739,417	40
11 Joint Venture	5,774,431	1,246,468	7,512,908	14,533,807	83
31 Loans Approved	7,040,163	1,846,368	10,512,424	19,398,955	136

Grand Total of Loans Approved from September 23, 2008 to March 31, 2018

# 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)		
25 Community Economic Expansion	5,571,251	1,127,793	24,435,991	31,135,035	266
145 Entrepreneur Loan	9,112,870	3,664,319	8,377,757	21,154,946	325
36 Joint Venture	18,769,793	3,732,023	38,875,615	61,377,431	322
4 Resource & Energy Investment	4,438,056	234,894	12,478,365	17,151,315	65
210 Loans/Equity Investments Approved	37,891,970	8,759,029	84,167,728	130,818,727	978

Support Applications Approved for Period April 1, 2017 to March 31, 2018

# Program	FPEGF Amount Approved** (A)	Dollars Leveraged		Impact on Manitoba Economy (A+B+C)
		BCF* Dollars Approved (B)	All Other Dollars (C)	
3 Aftercare	50,249	0	20,083	70,332
28 Business Plan Assistance	109,938	97,394	80,287	287,619
31 Support Applications Approved	160,187	97,394	100,370	357,951

Grand Total of Support Applications Approved from September 23, 2008 to March 31, 2018

# Program	FPEGF Amount Approved** (A)	Dollars Leveraged		Impact on Manitoba Economy (A+B+C)
		BCF* Dollars Approved (B)	All Other Dollars (C)	
12 Aftercare	127,178	0	48,758	175,936
178 Business Plan Assistance	843,602	464,444	517,544	1,825,590
12 Skills Development	34,092	0	11,371	45,463
202 Support Applications Approved	1,004,872	464,444	577,673	2,046,989

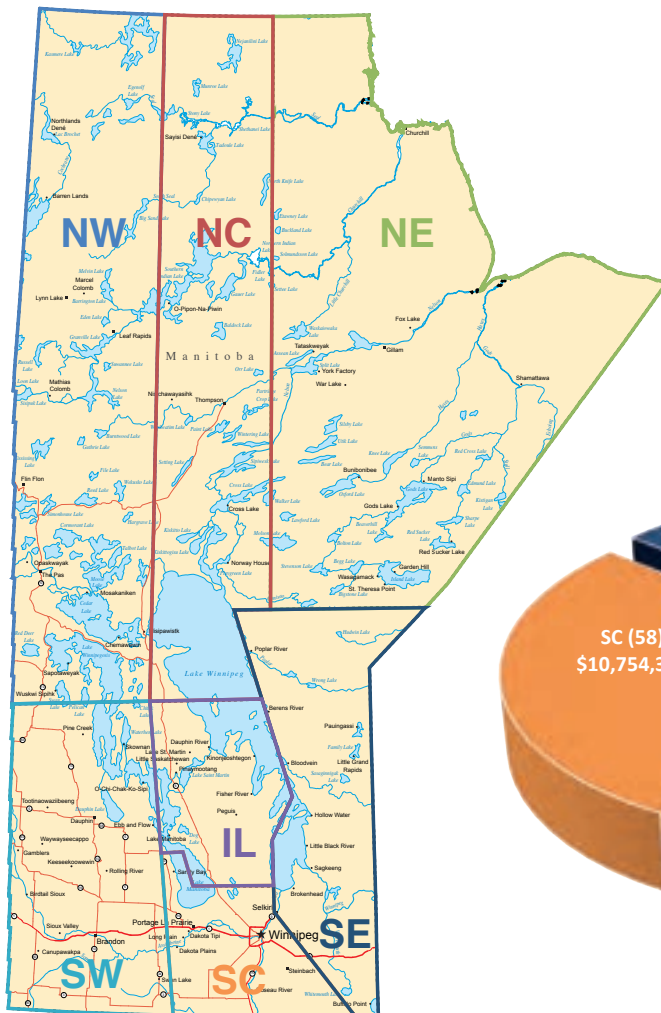
** Some Loan and Support dollars have not been disbursed as at March 31, 2018. Commitments will be disbursed once all Terms and Conditions are met.

* BCF - Business Contribution Fund delivered by FPEGF.

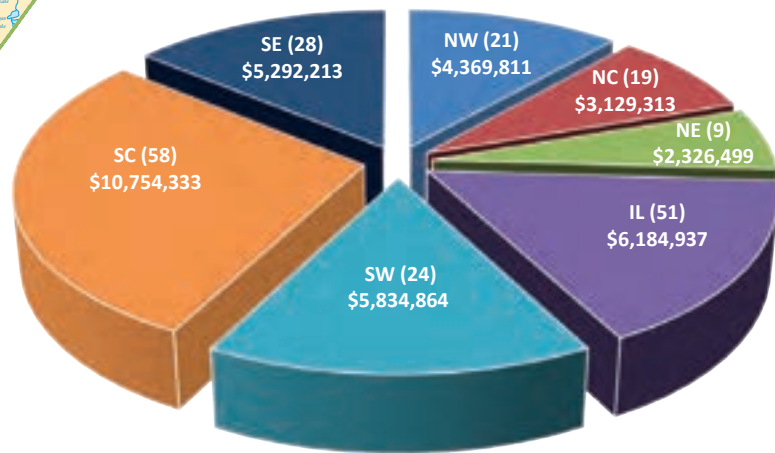


FPEGF Total Approvals by Geographic Region

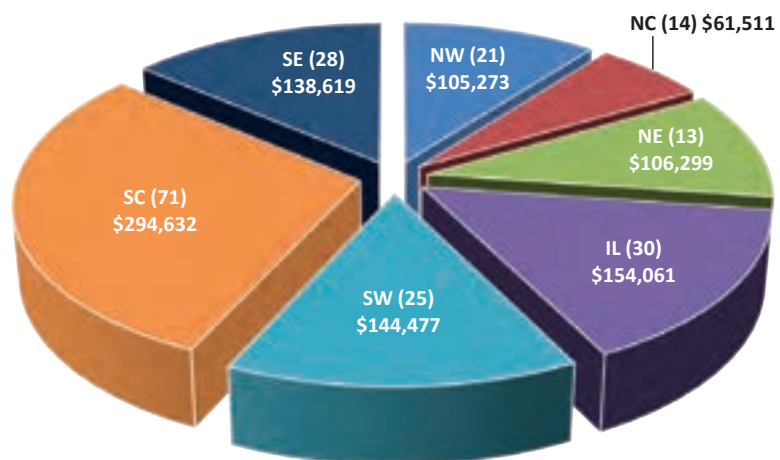
September 23, 2008 to March 31, 2018



210 Loans Approved = \$37,891,970



202 Support Applications Approved = \$1,004,872



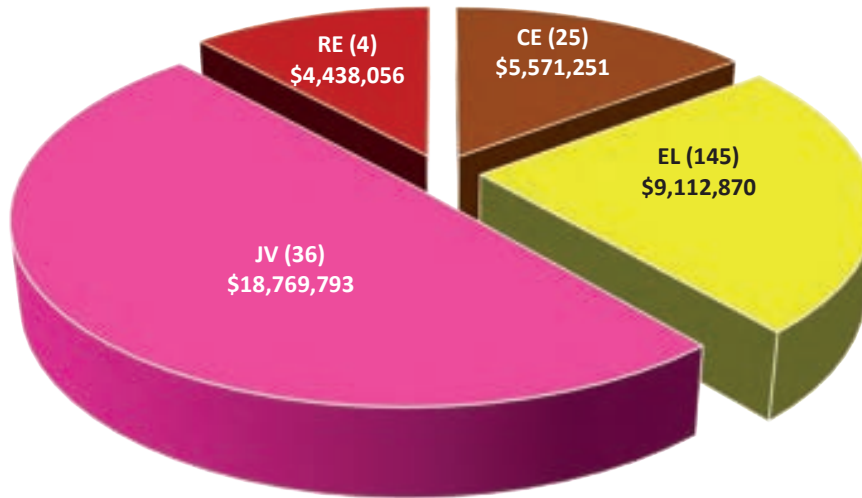
NW – Northwest
NC – North Central
NE – Northeast
IL – Interlake
SW – Southwest
SC – South Central
SE – Southeast



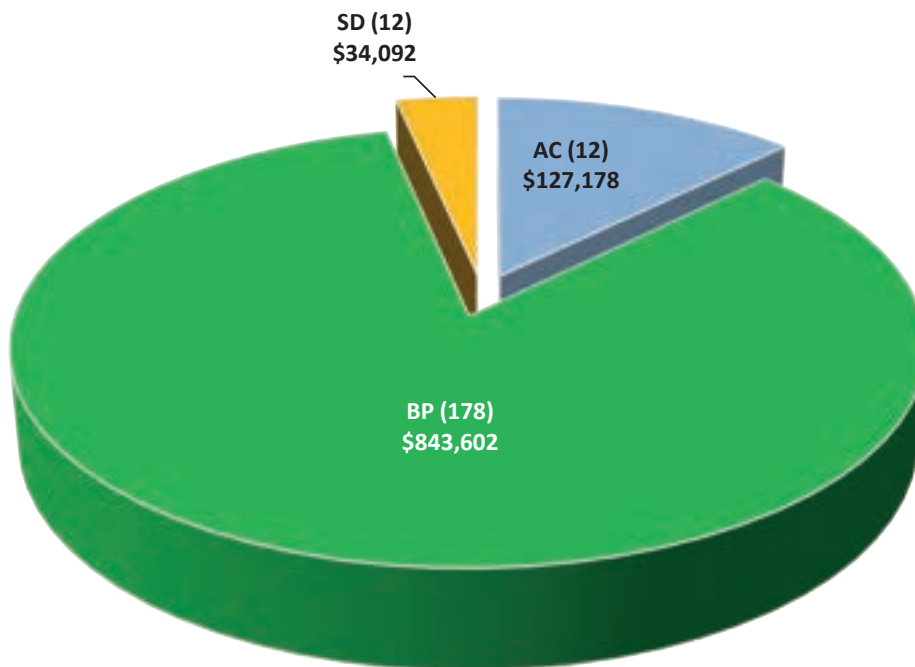
FPEGF Total Approvals by Program

September 23, 2008 to March 31, 2018

210 Loans Approved = \$37,891,970



202 Support Applications Approved = \$1,004,872





FPEGF's Business Contribution Fund

BCF Applications Approved for Period April 1, 2017 to March 31, 2018

#	Type	BCF Dollars Approved* (A)				Dollars Leveraged** (B)	Total (A+B)
		Business Planning	Capital & Operating	Marketing	Business Support		
39	Business Planning	161,013				2,600	163,613
25	Capital & Operating, Marketing and Business Support		2,063,505	58,631	12,247	728,685	2,863,068
64	BCF Support Applications Approved	161,013	2,063,505	58,631	12,247	731,285	3,026,681

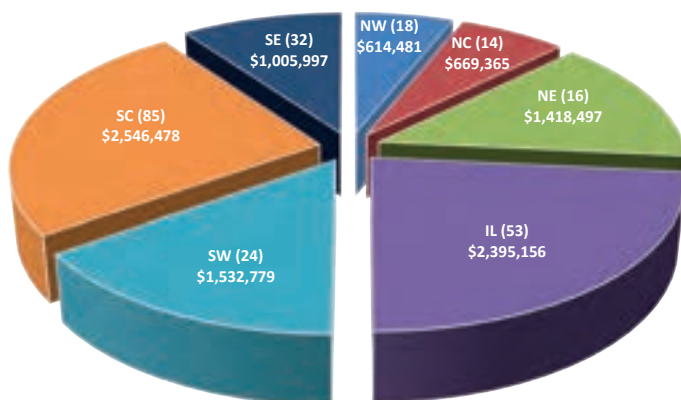
Grand Total of BCF Support Applications Approved from February 11, 2013 to March 31, 2018

#	Type	BCF Dollars Approved* (A)				Dollars Leveraged** (B)	Total (A+B)
		Business Planning	Capital & Operating	Marketing	Business Support		
109	Business Planning	516,394				19,447	535,841
133	Capital & Operating, Marketing and Business Support		9,230,719	367,492	68,148	3,262,405	12,928,764
242	BCF Support Applications Approved	516,394	9,230,719	367,492	68,148	3,281,852	13,464,605

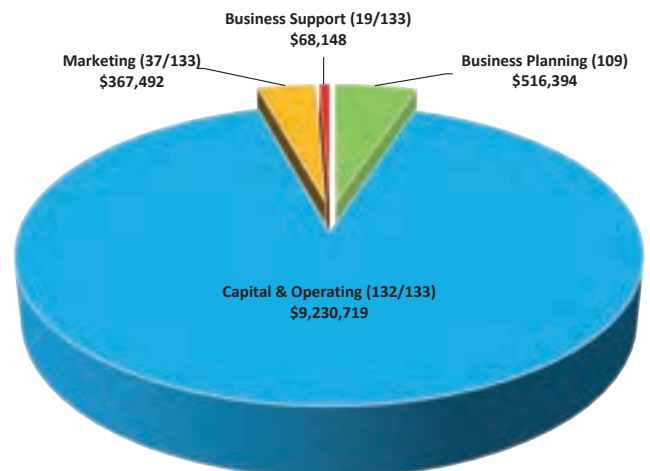
* Some BCF Support dollars have not been disbursed or were partially disbursed as at March 31, 2018. Commitments will be fully disbursed once all Terms and Conditions are met.

** Some Dollars Leveraged amounts already reported in Approved Loan and Support Applications statistics (see page 7).

242 BCF Approvals by Geographic Region = \$10,182,753



242 BCF Approvals by Type = \$10,182,753





Staff



Ian Cramer
CEO



Joyce Lillie
Accountant/
Office Manager



Yvonne Dubois
Executive
Assistant/Loans
Administrator



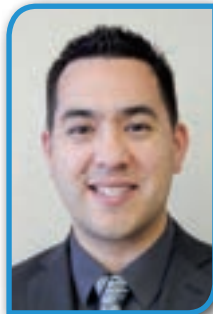
Tom Thordarson
Senior Loans
Manager



Robyn Wozney
BCF Manager



Blair Strong
Administrative
Assistant/
Claims Clerk



Fabian Sanderson
Loans Account
Manager



Destiny Williams
Administrative
Assistant/
Claims Clerk



Tiffany Monkman
Loans Account
Manager





Client Testimonials

Mississippi Airways

Mathias Colomb Cree Nation



Mississippi Airways has been owned and operated by Mathias Colomb Cree Nation (Pukatawagan) since 1987 when then-Chief Pascal Bighetty arranged for the purchase of the airline and a single Cessna 185 with the hopes of improving air travel for his people. Since then the company has grown to include five King Air 200s and four Piper Navajos, making our dreamcatcher logo a common sight amidst the prairie skies.

We proudly provide aero medical evacuation services throughout the Province of Manitoba and offer the only scheduled service flight between The Pas and Pukatawagan.

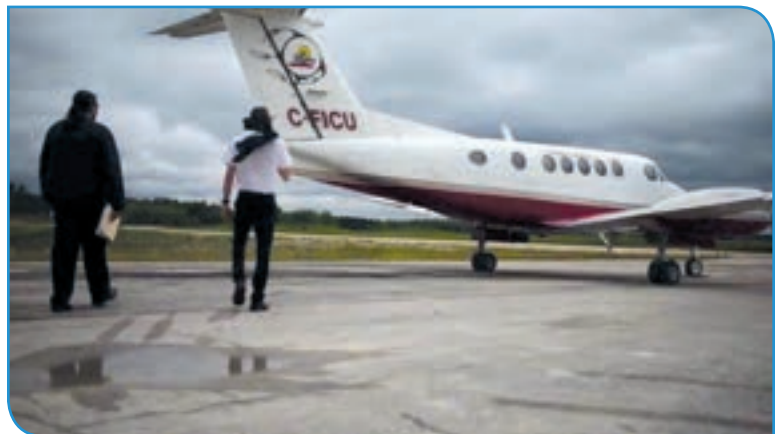
The expansion and growth of our company would not have been possible had it not been for the long standing relationship we have with First Peoples Economic Growth Fund (FPEGF). We at Mississippi Airways feel that FPEGF is an organization we can count on and we have received financing from them over the years for a variety of projects.

Most recently FPEGF provided financing to purchase a hangar in Thompson, Manitoba, which allowed for an expansion of our Medevac Service. If it wasn't for the hard work and dedication of FPEGF Senior Loans Manager Tom Thordarson, I doubt that we would have secured the hangar and been privy to the success we have experienced since purchasing the asset in 2016.

We are thankful for the ongoing professional relationship we have built with FPEGF. Their staff are always helpful and courteous and their loan applications and processes are simple and pain free. Mississippi Airways looks forward to our future knowing FPEGF is behind us.

Ricky Brenton, General Manager

Mississippi Airways





Hardcore Surf and Paddleboard Company

Tracy Leclair



My name is Tracy Leclair, owner of the Hardcore Surf and Paddleboard Company in Winnipeg and a member of Peguis First Nation. Hardcore Surf and Paddleboard Company was established in 2009, offering stand up paddleboard sales, accessory sales, rentals, lessons and repairs.

Stand up paddleboards are surfboards big enough to stand upright on the water and paddle. This provides a quiet, calming, non-environmental-harming way to enjoy the beautiful waterways we have around us. As well stand up paddleboarding provides an excellent way to exercise and enjoy the outdoors.

For six years, after investing considerable time and energy growing the sport of stand up paddleboarding and growing the business, it felt like I was just breaking even. I knew that it was either expand the business or quit. My wise aunt extended some advice – she told me to look into funding from First Peoples Economic Growth Fund (FPEGF). And I did!!

I reached out to FPEGF via email and was connected to Robyn Wozney, Business Contribution Fund Manager. Robyn offered some suggestions and forwarded all the applications and information needed. I then realized that the process of filling in applications and meeting all criteria was not going to be easy. But after months of constructing a viable business plan and consulting Robyn for help and advice, I became the proud recipient of FPEGF financing.

Although it was hard work gathering all the information needed through the process of creating the business plan, I realized what I needed to do to be successful and what I needed to change. If asked if it was worth the time and energy, I would say yes and I would direct anyone seeking financial help and guidance to contact FPEGF. And I would not hesitate to contact FPEGF for help in the future.

I was very thankful for receiving the financing as I might have had to retire the business. Instead, the financing allowed Hardcore Surf and Paddleboard to expand inventory, increase marketing, expand distributorships, and increase Hardcore Surf and Paddleboard's ability to expand and succeed.



Client Testimonials

Dakota Valley Gas Mart Ltd.

Sioux Valley Dakota Nation

Dakota Valley Gas Mart Ltd. is a gas station and convenience store located at Hwy 1 & Hwy 21 in southwestern Manitoba. We developed this business in order to provide First Nations people with job opportunities and personal growth. Our official opening was January 31, 2017.



We learned about First Peoples Economic Growth Fund (FPEGF) through Tom Thordarson when he accepted a position there. We met with him and received an overview of the services FPEGF provides.

FPEGF loan and support programs seemed to fit with our needs. The process for applying for financing from FPEGF is very straightforward and Tom was very helpful. He assisted us throughout the process in a prompt and courteous manner which ultimately contributed to the success in concluding this particular project.

If we had not received financing from FPEGF our business wouldn't exist. Because of FPEGF we were able to provide the training necessary for our business start up. Business is thriving and our customer base is growing by the day. We are able to hire 95% of our staff from Sioux Valley Dakota Nation.

We offer commuters on the Trans-Canada Highway and people from all rural communities in our area competitive gas prices along with a unique supply of convenience store products. We maintain a healthy profit and provide a safe and rewarding work environment for our employees. We believe in strong customer service and we strive to be the cleanest, most reliable and reputable Petro-Canada as a way of showing commitment to our customers.

We look forward to applying to FPEGF for financing in the future as plans are in the works for future development in our area and for our community.

Chief Vincent Tacan
Sioux Valley Dakota Nation



Sipie's Mobile Wash

Dakota Sipie

My name is Dakota Sipie, I am the proud owner and operator of Sipie's Mobile Wash based out of Grandview, Manitoba. I am a member of Tootinaowaziibeeng First Nation, located ten minutes west of Grandview. I grew up in the Parkland area of Manitoba and established many great relationships which made starting my business in this area an easy decision for me.



Sipie's Mobile Wash offers a premium wash service in the Parkland area for anyone looking to have their equipment, vehicles and property washed. Doing all my market research and learning more about my target audience, I knew this business would be successful. Working in the Manitoba oilfield and road construction industry for several years, I've gained experience with pressure washing. I always wondered if I could start a mobile wash business in the Parkland area and in the fall of 2016 I finally put my thoughts and plans into action.

I first approached Parkland Community Futures and pitched Sipie's Mobile Wash. From there we started working on my official business plan. Once the business plan was constructed I proceeded to look for financing options. I searched for different grants and business loans for Aboriginal entrepreneurs. One place kept coming up: First Peoples Economic Growth Fund (FPEGF). I did all my research and gathered all the information I could before I approached FPEGF.

From reading the client testimonials, financing programs and the 2015-2016 annual report, I knew these were the professionals who could help me with the financing I needed to start Sipie's Mobile Wash. FPEGF coached me through the details of what my business plan needed and opened my eyes to what owning and operating my own business would be about. After going through all the requirements of FPEGF, I met with Tom Thordarson, Senior Loans Manager. I then started the process of applying for the FPEGF interest-free entrepreneur loan.

Dealing with FPEGF was a great experience. I learned a lot and now understand the process of planning and financing a small business. FPEGF is a great organization for helping Aboriginal entrepreneurs like myself to get the financing needed. If it wasn't for FPEGF I would not have purchased the washing equipment and Sipie's Mobile Wash would not be what it is today. I highly recommended FPEGF to all other Aboriginal entrepreneurs interested in starting a business. I will be applying for financing through FPEGF for the growth of Sipie's Mobile Wash in the future.



Client Testimonials

Everest Homes

Dennis Bulycz

My name is Dennis Bulycz. I am a member of Sapotaweyak Cree Nation and reside in Mafeking, MB. I am the proud owner of my RTM (Ready to Move) business called Everest Homes. We currently build RTMs as well as on-site commercial and home builds.

I started the RTM section of my business in August 2015 after spending a few years building in various cities across Canada. I decided that building a safe, great quality home at a fair price was something my community and the surrounding area would really benefit from.

I currently work alongside my two sons building RTM-style homes from start to finish in Swan River, MB. Once the home is completed it is moved to its forever home. I am very proud of the homes I build and make sure that I can always offer people the safest, best quality home for their families at an affordable price. I always try to hire local workers when I can in order to help bring dollars back into the communities I work in. I make sure every build is to a standard that I would put my family in and will settle for nothing less.

I first heard about FPEGF from my nephew who encouraged me to apply as I was having no luck anywhere else. When I initially contacted FPEGF, I felt it was the start of a very long process. However as the process moved along, I could actually see a light at the end of the tunnel.

Today my business is continually growing thanks in a big part to FPEGF. I know that I would have eventually achieved my dream and got to the place I am, but FPEGF helped me to achieve it a lot sooner.

I will always recommend FPEGF to others who are looking to pursue their entrepreneurship dream and I also look forward to working with them in the future if need be.



Financial Statements

Year Ended March 31, 2018



FIRST PEOPLES economic growth fund



Independent Auditor's 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, 2018 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, 2018 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 27, 2018

1-554 St. Mary's Road. Winnipeg, MB R2M 3L5
Telephone: (204) 943-1584 Fax: (204) 957-5195
E-mail: info@exg.ca Website: www.exg.ca

Statement of Financial Position

March 31, 2018



	2018	2017
ASSETS		
CURRENT		
Cash	\$ 6,112,951	\$ 1,028,311
Short-term investments (Note 3)	12,013,571	10,801,218
Accrued interest and other receivables (Note 5)	126,534	487,262
Prepaid expenses	11,863	10,439
	18,264,919	12,327,230
PROPERTY AND EQUIPMENT (Notes 3, 6)	36,206	50,864
LOANS RECEIVABLE (Notes 3, 7, 8)	12,905,729	15,356,761
REIP INVESTMENT (Notes 3, 9)	-	824,439
INVESTMENT IN 6606254 MANITOBA LTD. (Note 3)	100	100
	\$ 31,206,954	\$ 28,559,394
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 31,717	\$ 65,762
LOAN SECURITY	23,209	-
	54,926	65,762
NET ASSETS		
Contributed surplus (Note 2)	3,750,000	3,750,000
Net assets	27,402,028	24,743,632
	31,152,028	28,493,632
	\$ 31,206,954	\$ 28,559,394

RESTRICTIONS AND COMMITMENTS (Note 11)

ON BEHALF OF THE BOARD

 Director

 Director



Statement of Operations

Year Ended March 31, 2018

	2018	2017
REVENUE		
Province of Manitoba	\$ 2,700,000	\$ 2,700,000
Business Contribution Fund - Operating	301,973	301,973
Business Contribution Fund - Equity Fund	1,870,023	1,871,647
Interest on short-term investments	266,717	245,024
Interest accretion	572,038	565,051
Interest on loans receivable	465,147	478,273
Loan fees	15,367	74,565
Miscellaneous	9,171	6,496
	6,200,436	6,243,029
ASSISTANCE COSTS	1,567,789	4,142,523
EXCESS OF REVENUE OVER ASSISTANCE COSTS	4,632,647	2,100,506
ADMINISTRATIVE COSTS		
Advertising and promotion	35,795	35,088
Amortization of property and equipment	14,659	11,069
Bad debts REIP	-	1,669,767
Bad debts general fund	168,468	293,427
Bank charges	1,123	927
Collections	-	638
Consulting fees	23,319	65,398
Equipment	3,282	24,932
Insurance	5,116	5,108
Office expense	53,323	60,662
Professional development and training	3,360	3,696
Professional fees	60,114	85,193
Recruiting	5,656	3,533
Rent	70,664	70,172
Salaries and benefits	687,420	641,243
Travel and conferences	17,513	20,399
	1,149,812	2,991,252
OPERATING SURPLUS (DEFICIT) BEFORE OTHER LOSSES	3,482,835	(890,746)
IMPAIRMENT LOSS ON INVESTMENT <i>(Note 9)</i>	(824,439)	(301,747)
OPERATING SURPLUS (DEFICIT)	2,658,396	(1,192,493)
NET ASSETS - BEGINNING OF YEAR	24,743,632	25,936,125
NET ASSETS - END OF YEAR	\$ 27,402,028	\$ 24,743,632

See notes to financial statements

Statement of Cash Flows

Year Ended March 31, 2018



	2018	2017
OPERATING ACTIVITIES		
Operating surplus (deficit)	\$ 2,658,396	\$ (1,192,493)
Items not affecting cash:		
Amortization of property and equipment	14,659	11,069
Bad debts general fund	168,468	293,427
Bad debts REIP	-	1,669,767
Impairment loss on investments	824,439	301,747
Interest accretion	(572,038)	(565,051)
Interest on loans receivable	(465,147)	(478,273)
Loan discount expenses	234,301	951,923
	<u>2,863,078</u>	<u>992,116</u>
Changes in non-cash working capital:		
Accrued interest and other receivables	360,728	(63,312)
Accounts payable and accrued liabilities	(34,046)	6,490
Prepaid expenses	(1,424)	(1,086)
	<u>325,258</u>	<u>(57,908)</u>
Cash flow from operating activities	<u>3,188,336</u>	<u>934,208</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	-	(16,188)
Loans granted	(2,286,490)	(7,563,937)
Loan repayments	5,371,938	2,705,041
Net change of short-term investments	(1,212,353)	790,172
Purchase of REIP investment	23,209	-
	<u>1,896,304</u>	<u>(4,084,912)</u>
Cash flow from (used by) investing activities	<u>1,896,304</u>	<u>(4,084,912)</u>
INCREASE (DECREASE) IN CASH	<u>5,084,640</u>	<u>(3,150,704)</u>
CASH - BEGINNING OF YEAR	<u>1,028,311</u>	<u>4,179,015</u>
CASH - END OF YEAR	<u>\$ 6,112,951</u>	<u>\$ 1,028,311</u>

See notes to financial statements



Notes to Financial Statements

Year Ended March 31, 2018

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 Indigenous and Municipal Relations ("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, 2018, 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 \$1,870,023 in equity funding for the year ended March 31, 2018. Funding for the remaining term of the agreement ended March 31, 2018 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)



Notes to Financial Statements

Year Ended March 31, 2018

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)

Notes to Financial Statements

Year Ended March 31, 2018



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	25% - 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, 2018.

Credit risk

Credit risk arises from the potential that a counter-party will fail to perform its obligations. The Corporation is exposed to credit risk from individuals and businesses to whom funds have been loaned. In order to reduce its credit risk, the Corporation has adopted credit policies which include the analysis of the borrower's net worth, credit rating, financial viability of the business, personal guarantees and subordinate positions as collateral.

Other price risk

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



Notes to Financial Statements

Year Ended March 31, 2018

5. ACCRUED INTEREST AND OTHER RECEIVABLES

	2018	2017
Goods and services tax	\$ 5,731	\$ 8,349
Loan fees	5,628	13,492
Accrued interest on short-term investments	115,175	103,640
Business Contribution Fund	-	361,781
	<u>\$ 126,534</u>	<u>\$ 487,262</u>

6. PROPERTY AND EQUIPMENT

	2018		2017	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer equipment	\$ 66,528	\$ 54,387	\$ 66,528	\$ 50,340
Website development	12,853	12,853	12,853	12,853
Office furniture	114,979	106,483	114,979	99,397
Leasehold improvements	24,675	9,106	24,675	5,581
	<u>\$ 219,035</u>	<u>\$ 182,829</u>	<u>\$ 219,035</u>	<u>\$ 168,171</u>
Net book value	<u>\$ 36,206</u>		<u>\$ 50,864</u>	

7. LOANS RECEIVABLE

Loans are classified as follows:

	2018	2017
Resource and Energy Investment Program Loans	\$ 266,468	\$ 164,526
Entrepreneur Loans	4,013,488	4,609,913
Joint Venture Loans	5,864,451	7,653,942
Community Economic Expansion Loans	3,428,704	3,631,995
Accrued interest on loans	70	97,653
Allowance for doubtful accounts	(667,452)	(801,268)
	<u>\$ 12,905,729</u>	<u>\$ 15,356,761</u>

Notes to Financial Statements

Year Ended March 31, 2018



8. RECONCILIATION OF LOANS RECEIVABLE

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

	2018	2017
Loans receivable - beginning of year	\$ 15,356,761	\$ 12,369,659
Gross loans granted	\$ 2,286,490	\$ 7,563,937
Provision for forgiveness ⁽¹⁾	-	(150,000)
Bad debts and loan renegotiation expense ⁽²⁾	(168,468)	(1,963,194)
Interest rate discount to fair value ⁽³⁾	<u>(234,301)</u>	<u>(801,923)</u>
	1,883,721	4,648,820
Interest accretion and interest on loans receivable ⁽⁴⁾	1,037,185	1,043,324
Less: Loan repayments received	<u>(5,371,938)</u>	<u>(2,705,042)</u>
	<u>\$ 12,905,729</u>	<u>\$ 15,356,761</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 \$NIL (2017 - \$150,000) for the full amount that can be forgiven.

⁽²⁾ The Corporation has determined that bad debts and loan renegotiation expenses in the amount of \$168,468 (2017 - \$1,963,194) was required, related to loans outstanding at March 31, 2018. This allowance represents the present value of the amounts determined to be uncollectible using the same discount rate as the loans granted.

- During the year ended March 31, 2018, \$150,000 was recorded as a bad debt recovery in respect to one REIP Fund Loan.
- The remaining \$318,468 in bad debts relates to a few loans in the General Loan Fund.

⁽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 \$3,428,704 (2017 - \$3,955,006) were discounted by \$234,301 (2017 - \$801,923).

⁽⁴⁾ Interest income accretes on the loans receivable at a rate equal to the discount rate used at inception. Interest in the amount of \$572,038 (2017 - \$565,051) was recorded as interest accretion and \$465,147 (2017 - \$478,273) was recorded as interest on loans receivable.



Notes to Financial Statements

Year Ended March 31, 2018

9. REIP INVESTMENT

	2018	2017
CFOM1 Limited Partnership ⁽¹⁾	\$ -	\$ 824,439

- (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, the value of CFOM1 Limited Partnership has decreased in value. Management historically relied on internal valuation reports prepared by the publicly listed company partner, which were audited by the partnership's independent, external auditor. During the course of the current audit, information related to the value of the asset indicated that a future return on investment was unlikely. Therefore the asset has been impaired to a \$NIL value.

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 \$28,226 (2017 - \$27,150).

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	\$ 5,431,511
Business plan assistance	99,820
Business contribution fund	1,189,124
Skills development	-
Aftercare	21,874
	<u>\$ 6,742,329</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, 2019	\$ 46,397
2020	46,397
2021	22,071
2022	7,431

(continues)

Notes to Financial Statements

Year Ended March 31, 2018



11. RESTRICTIONS AND COMMITMENTS *(continued)*

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.



General Business Assistance Program

(Schedule 1)

Year Ended March 31, 2018

	2018	2017
REVENUE		
Province of Manitoba	\$ 2,700,000	\$ 2,700,000
Interest accretion	572,038	565,940
Interest on loans receivable	454,342	371,697
Interest on short-term investments	266,717	212,785
Loan fees	15,367	74,565
Miscellaneous	4,301	5,306
	4,012,765	3,930,293
ASSISTANCE COSTS	283,305	1,175,555
EXCESS OF REVENUE OVER ASSISTANCE COSTS	3,729,460	2,754,738
ADMINISTRATIVE COSTS		
Advertising and promotion	22,434	18,685
Amortization of property and equipment	8,125	5,198
Bad debts	168,468	293,427
Bank charges	1,120	922
Collections	-	439
Consulting fees	6,819	20,214
Equipment	2,180	13,472
Insurance	3,579	2,554
Office	35,113	31,205
Professional development and training	2,016	1,143
Professional fees	39,897	61,178
Recruiting	5,359	615
Rent	49,759	35,086
Salaries and benefits	449,889	399,180
Travel and conferences	10,188	10,847
	804,946	894,165
OPERATING SURPLUS	\$ 2,924,514	\$ 1,860,573

See notes to financial statements

Resource and Energy Investment Program

(Schedule 2)

Year Ended March 31, 2018



	2018	2017
REVENUE		
Interest on loans receivable	\$ 10,805	\$ 106,576
Interest accretion	-	(889)
Interest on short-term investments	-	32,239
Miscellaneous	-	595
	10,805	138,521
ASSISTANCE COSTS	25,574	(121,928)
EXCESS (DEFICIENCY) OF REVENUE OVER ASSISTANCE COSTS	(14,769)	260,449
ADMINISTRATIVE COSTS		
Advertising and promotion	-	7,817
Amortization	-	1,630
Bad debts	-	1,669,767
Consulting fees	-	11,521
Equipment	-	5,472
Insurance	-	1,277
Office	-	14,131
Professional development and training	-	689
Professional fees	12,892	10,980
Rent	-	17,543
Salaries and benefits	-	21,510
Travel and conferences	-	950
	12,892	1,763,287
OPERATING DEFICIT BEFORE OTHER LOSSES	(27,661)	(1,502,838)
OTHER LOSSES		
IMPAIRMENT LOSS ON INVESTMENT (Note 9)	(824,439)	(301,747)
OPERATING DEFICIT	\$ (852,100)	\$ (1,804,585)

See notes to financial statements



Business Contribution Fund

(Schedule 3)

Year Ended March 31, 2018

	2018	2017
REVENUE		
Business Contribution Fund - Equity Fund	\$ 1,870,023	\$ 1,871,647
Business Contribution Fund - Operating	301,973	301,973
Miscellaneous	4,870	595
	2,176,866	2,174,215
ASSISTANCE COSTS	1,258,910	3,088,896
EXCESS (DEFICIENCY) OF REVENUE OVER ASSISTANCE COSTS	917,956	(914,681)
ADMINISTRATIVE COSTS		
Advertising and promotion	13,361	8,586
Amortization	6,534	4,241
Bank charges	3	5
Collections	-	199
Consulting fees	16,500	33,663
Equipment	1,102	5,988
Insurance	1,537	1,277
Office	18,210	15,326
Professional development and training	1,344	1,864
Professional fees	7,325	13,035
Recruiting	297	2,918
Rent	20,905	17,543
Salaries and benefits	237,531	220,553
Travel and conferences	7,325	8,602
	331,974	333,800
OPERATING SURPLUS (DEFICIT)	\$ 585,982	\$ (1,248,481)

See notes to financial statements





FIRST PEOPLES economic growth fund

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