



NACCA

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STAFF AS OF MARCH 31, 2007

Gabriel Tavares
Finance Officer

Debra Vincent
Executive Assistant

Kevin Schindelka
Director Corporate Development

Derek Sagima
Interim Chief Operating Officer

BOARD MEMBERS AS OF MARCH 31, 2007

Chris Shade
Chair

Jake Heron
Vice-chair

Frank Parnell
Treasurer

Madeline Commanda
Secretary

Ashmede Asgarali

William J. Brant

Elaine Chambers

Lucy Pelletier

Ike Haulli

Edwin Newman

Ron Rivard

VISION

To be the leading National Organization dedicated to the realization of member priorities that lead to vibrant Aboriginal economies.

MISSION

To assist Aboriginal Financial Institutions to enable their communities to realize greater economic self-reliance through advocacy and providing fair access to capital, resources and information.

VALUES

We acknowledge the Creator's hand and guidance in the development of the organization.

OUR VALUES ARE:

- Respecting the diversity, autonomy and strength of our members
- Being accountable to our members
- Being professional, ethical, and maintaining open communication with our members
- To achieve integrity through positive and supportive relationships
- To continually strive for excellence

NACCA BACKGROUND & HISTORY

THE NATIONAL ABORIGINAL CAPITAL CORPORATION ASSOCIATION IS AN ASSOCIATION OF ABORIGINAL FINANCIAL INSTITUTIONS (AFIs) THAT PROMOTE ABORIGINAL BUSINESS DEVELOPMENT ACROSS THE COUNTRY. NACCA WAS ESTABLISHED IN 1996 TO SUPPORT AND PROMOTE THE WORK OF ITS MEMBERS.

22 Aboriginal Capital Corporations were founded in the late 1980s to provide access to capital for Aboriginal entrepreneurs who could not access financing through conventional banks. Joined by Aboriginal CFDCs, there are now 60 Aboriginal Financial Institutions in every province and territory in the country, and they have collectively lent out \$1.1 billion over the past two decades.

AFIs serve rural or high-risk clients with loans, business support, and advisory services, and their clients have a 58% success rate. In the past two decades, they have supported the creation of 13,000 new businesses and 32,000 jobs. They are owned by the communities they serve, and are majority Aboriginal-run and staffed.

The cost of developmental lending, with enormous staff and loan loss costs, is high. NACCA advocates and operates programs to increase the capital and capacity of its member AFIs, to better enable them to realise economic development and self-reliance in their communities.

NACCA CORPORATE PROFILE 2007

2007 Budget: \$3,582,508

Staff in 2007: 3 permanent; 3 part-time or temporary

Governance: 13 board members drawn from membership by region (1 current vacancy)

Major sources of funding: INAC, ABC, Regional Agencies (ACOA, CEDQ, FEDNOR, WED)

Membership: 55 Aboriginal Financial Institutions in every province & territory

PROGRAMS IN 2007:

Access to Capital: providing support to AFIs to cover more geographic areas, borrow capital at reduced rates, and build capacity.

Agricultural AFI program: providing support to agriculture-oriented AFIs

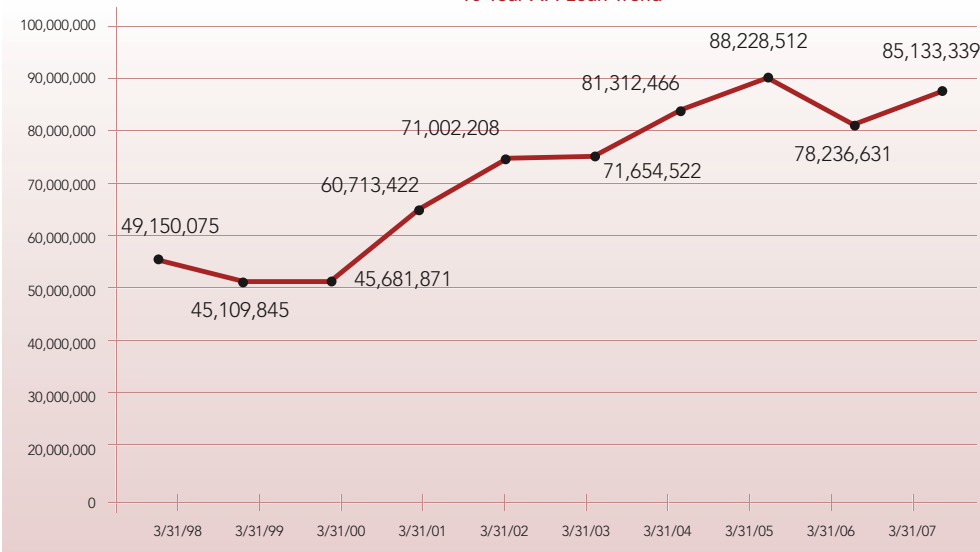
Best Practices: developing and sharing best practice throughout the membership

CURRENT PROFILE OF AFIs

	2007	2006
Number of loans advanced by AFIs in 2007:	1,513	1,387
Total amount of loans advanced in 2007:	\$86,882,681	\$73,717,521
Gross Loan Portfolio:	\$218,207,277	\$210,707,500
Total staff employed 2007:	365	345
Percentage of staff who are Aboriginal:	67%	67%
Average number of loans advanced per AFI:	30	30
Average amount of loans advanced per AFI:	\$1,703,582	\$1,474,350
Average AFI outstanding balance:	\$45,765	\$42,108
Average AFI gross loan portfolio:	\$4,278,574	\$4,131,520

The introduction of Access to Capital programming in 2000 provided AFIs clear evidence of federal government support for AFIs, resulting in a substantial sustained increase in AFI loan activity.

10 Year AFI Loan Trend



MESSAGE FROM THE CHAIR AND CEO

NACCA – A NEW FISCAL YEAR

In looking forward to the future for NACCA it may be helpful to review our development as the collective association for Aboriginal Financial Institutions (AFIs). We clearly acknowledge that this past year in particular has been a difficult year for NACCA. Strains in the relationship and communication with our members and the deterioration in the relationship with our partners in Government were compounded by administrative challenges and lack of staff resources to accomplish our goals. NACCA is now in a position to improve our relationship with AFIs; to repair our partnership with Government; and to contribute to the financial and operational health of the network of Aboriginal Financial Institutions.

In the process of recovering from this difficult period strong interest and ultimately support for NACCA was expressed by the AFIs; support that is surely noticed by our partners within Government. Nonetheless, progress from NACCA was demanded by the membership and a specific set of goals was set out. Those goals have largely been achieved. The AFIs also clearly expressed that NACCA's role must be clarified if it is to retain their strong support. The emergent theme was a concentration on NACCA not as an entity in and of itself but as the network of AFIs, constituted as a separate entity solely to act as the collective voice.

As the collective voice NACCA's vision must then coincide with the needs and aspirations of the AFIs and should be guided by the principle and goals that underlies the AFIs - aboriginal economic self-determination. Towards this goal the AFIs address a specific issue that is in itself a sufficiently large challenge, the availability of capital to the aboriginal economy without which economic self-determination cannot be achieved. To be effective AFIs must meet two principal challenges: an insufficient capital base and an unsustainable business model, challenges that are interrelated. It is NACCA's corresponding challenge and responsibility to see that the AFIs themselves have the ability to be economically self-determining.

Recognizing these challenges NACCA participated in the development and administration of the ATC program; the identification of best practices and benchmarks; and advocated for and participated in the development of the Business Services Officer program. NACCA acknowledges that this has only been accomplished because of the willingness of our partners in Government: Aboriginal Business Canada, Indian and Northern Affairs Canada and the Regional Agencies, to engage the AFIs and to make a reinvestment in the AFI network.

The AFIs have been an exceptional investment for Government and are still making continual reinvestments in the Aboriginal economy today. In terms of impact on employment and income we believe that the AFIs are amongst the most effective investments that government has made. We believe that NACCA can show that another major investment in the AFIs is the most effective way of impacting the Aboriginal economy.

We hope you agree that the vision we lay out captures both the necessary refocus on the AFIs and the commitment to their financial viability that will be NACCA's focus.

Jake Heron, Vice-Chair

As members you have reminded NACCA that it is your association and your collective voice. The vision for NACCA described by the Vice-Chair seeks, explicitly, to refocus on the AFIs and their financial viability. It is the role of the NACCA staff, and the particular responsibility of the Chief Operating Officer, to work towards the realization of this vision.

We intend to do so by ensuring that every task that NACCA undertakes is judged by how immediately it serves to further your efforts. While the end-goals for all of us are Aboriginal business development and economic self-determination it is only the direct role of the AFIs to work with Aboriginal entrepreneurs, NACCA's direct role is to support the AFIs

If NACCA is to support the AFIs it must once again demonstrate that it has strong administrative capacity and exhibits high standards of professionalism. This requires that NACCA's immediate tasks should be: ensuring that we have the internal capacity, both personnel and processes, to manage resources effectively; seeking to re-establish our working relationship with Government; and implementing recommendations on communicating with our members.

The precondition of capacity met NACCA can then address the financial viability of the AFI network, which revolves around two critical and interrelated challenges, insufficient capital and an unsustainable business model. We believe that if we are successful in working with our partners in Government to: rollout the Risk Premium Offset program, extend the Business Services Officer program, and continue the Access to Capital program, we will have made a solid contribution to your business model.

Providing the information to highlight the success of the AFI network, demonstrating the need for capital in the AFI network and for all AFIs, identifying sources of capital and developing instruments and programs to access these, are the immediate tasks that we will be undertaking to address the insufficient capital base of the AFIs.

Fundamentally NACCA needs to clearly demonstrate that the development of the AFI network has been a real success: for Government in meeting its public policy responsibilities and objectives, in the creation of a national infrastructure of financial institutions that are both owned and controlled by Aboriginal peoples, and most fundamentally for the Aboriginal economy and Aboriginal entrepreneurs.

AFIs have shown a continued interest in and support for NACCA, largely because of the real difference that the programming NACCA has participated in developing has made for AFIs. Implementing the work plan sketched above will, we trust, work to capture the vision of NACCA refocused on the AFIs and working towards the challenge of ensuring their financial viability.

Steven Morse, Chief Operating Officer

NACCA GOALS FOR 2006 – 2007

As outlined in our work plan for 2007, our top six priorities are:

- **Internal communications improvements:** creating a quarterly NACCA e-newsletter, regularly updating NACCA website, reporting quarterly to members on NACCA activities, releasing board minutes to the membership, and continuing to publish NACCA audited financial statements and annual report.
- **Access to Capital program improvements:** revision of the IRB, EA and S&T agreements with NACCA members, developing S&T and EA checklists, improving reporting requirements, and better communication with AFIs and government stakeholders.
- **Research and program development:** undertaking an AFI Time and Task study to facilitate staffing support, developing an interest rate buy-down program, creating a loan syndication pool, ongoing Lending Operations Reviews, ongoing AFI Annual Portrait
- **Implementing Best Practices:** putting the report online, collecting specific Best Practice tools in use by members, providing advisory services around the Best Practices, and creating professional development and training courses in Best Practice areas.
- **Developing a Youth Business Program:** developing online Mentoring Centres for youth, instituting an Equity Contribution Fund, creating an Educational Resource Centre, and running the annual Youth Entrepreneur Symposium (YES)
- **Continuing previous initiatives:** putting into operation the 48-module online training program for entrepreneurs, evaluating the Silu Corporation, potentially partnering with government on a Housing Initiative, ongoing support and maintenance for the Loan Management System, internal administrative projects, and ongoing advocacy.

BOARD CHANGES

The NACCA Board of Directors Chair, Robert Ballantyne of Manitoba, resigned in June 2006 and was replaced by Chris Shade from Alberta, while Jake Heron of NWT continued as Vice-Chair, Madeline Commanda of Northern Ontario served as Board Secretary and Ron Rivard, Métis – Saskatchewan, served as Treasurer.

During the 2006-2007 year Yvonne Scotchman and Ruth Williams of British Columbia, left the Board, to be replaced by Edwin Newman and Frank Parnell; Clive Diller of Saskatchewan also departed, to be replaced by ; Joe Norton of Quebec departed leaving a vacancy for Quebec representation, while filled the vacant Northern Ontario Directorship and Ron Rivard filled the vacancy for Saskatchewan Métis.

STAFF CHANGES

Our National Office staff has changed dramatically over the past year, with several members departing to undertake new challenges, and others leaving as specific initiatives were concluded.

In this context our former Chief Executive Officer, Dan Brant, and our former Chief Operating Officer, Cliff Fregin, left NACCA in the Spring and Fall of 2006 respectively to pursue other opportunities.

Our Access to Capital (ATC) Program Administrator, Suzanne Allaire, also left the organization following the suspension of Federal Government funding for this program, while Theresa Ducharme, previously the Communications Officer and, more recently, the Youth Entrepreneur Symposium (YES) coordinator, left after the conclusion of this year's YES event.

Derek Sagima took over as Interim Chief Operating Officer in the Fall of 2006 and was joined in February 2007 by Ian Donald as the Interim ATC Program Manager. Kevin Schindelka has continued as Director of Corporate Development throughout this period.

ACCESS TO CAPITAL PROGRAM

Aboriginal Business Canada (ABC) and the National Aboriginal Capital Corporation Association (NACCA) signed a three year ATC renewal contribution agreement on April 15, 2005, effective April 1, 2005. In the 2006–07 fiscal year, NACCA had thirty six (36) or 61% of the eligible AFIs accessing one or more elements of the ATC program.

During 2006 - 07, the AT C Program approved the following expenditures:

Fund	Actual	Annual Budget	Balance
IRB	122,005	250,000	127,995
EA	822,810	500,000	(322,810)
S&T	817,2	1,250,000	432,713
MAN	315,00	315,000	-
Totals	2,077,102	2,315,000	237,898

SUPPORT & TRAINING (S&T) FUND

S&T provides non-repayable contributions to AFIs to build capacity of staff, management and Board of Directors to better serve their constituents, and to provide other training activities related to developmental lending. In 2006–07, the S&T program element had 103 applications totalling \$817,287; in addition, this element had \$67,490 in adjustments from projects being cancelled or reduced in cost. This activity includes eight multi-S&T applications totalling \$200,727 (multi-applications defined as more than one AFI participating in the training).

Region	S&T	IRB	EA	TOTAL
WD (West)	573,724	13,272	-	586,996
NORTH	10,924	6,364	-	17,288
FED-NOR (Northern ON)	62,934	-	822,810	885,744
SOUTH ON	32,738	-	-	32,738
CED-Q (Quebec)	45,385	93,627	-	139,012
ACOA (Atlantic)	9,181	8,742	-	17,923
MULTI	82,400	-	-	82,400
Total	817,287	122,005	822,810	1,762,102

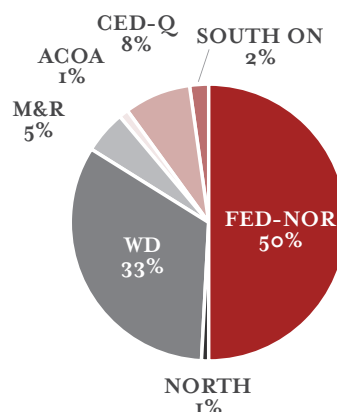
INTEREST-RATE-BUYDOWN (IRB) FUND

IRB reimburses AFIs the interest of 4% per annum on Lines of Credit taken out with a third party specifically for new small business loans. This program element has ten (10) AFIs currently participating, with a total of \$11.8M in Lines of Credit available for small business lending.

ENHANCED ACCESS (EA) FUND

EA is a fund that provides loan capital for lending in “un-serviced” areas across the country. This program element also provides non-repayable contributions to AFIs to service those specific loans. Three AFIs utilized the Enhanced Access Loan Fund in 2006–07, resulting in eighteen loans and non-repayable contributions totaling \$822,810. The EA Fund contributed \$322,810 to the EA budget this fiscal year from previous EA loan repayments, and ATC provided \$500,000 in new EA funds. Ten businesses were established and eight businesses were maintained while creating 50 jobs.

APPROVED EXPENDITURE BY REGION



AFI BEST PRACTICES

The NACCA Best Practices Team released the report, 'Aboriginal Financial Institutions Best Practices' in June 2006.

The report identifies and presents practices that will help an AFI to be most effective in enhancing stakeholder value. It is organised by the four areas prioritised by AFI General Managers and chairpeople, which are:

1. Governance
2. Risk Management
3. Human Resources
4. Community Impact and Client Success

The report draws upon successful practices and lessons learned at non-profit organizations, corporations, and Aboriginal Financial Institutions in Canada and elsewhere, gathered by research and consultation with NACCA members.

A Best Practices Advisory Committee, made up of AFI managers, was formed in July 2005 to provide feedback on the project through monthly conference calls. The BPAC also met to discuss and edit the first draft of the report. NACCA researchers also visited several AFIs to obtain material for the report, and regularly solicited input from the membership.

You can find the full report on the NACCA website, www.nacca.net.

NACCA RESOURCE TEAM

Several AFIs requested the advisory services of the NACCA Resource Team in 2006. The team drew upon the outcomes of the Best Practices report to assess, analyse and improve loan portfolio risk management and governance for individual AFIs, making tailored, specific recommendations to General Managers and / or boards.

The Resource Team was led by Derek Sagima, chartered accountant, and Kevin Schindelka, former banker and NACCA Director of Corporate Development.

AUDITORS' REPORT TO THE MEMBERS

We have audited the statement of financial position of National Aboriginal Capital Corporation Association as at March 31, 2007 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Association taken as a whole. The current year's supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chartered Accountants, Licensed Public Accountants

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the "K" and ends under the "P", extending across the width of the signature.

Ottawa, Canada
August 10, 2007

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2007, WITH COMPARATIVE FIGURES FOR 2006

	2007	2006
Assets		
Current assets:		
Cash	\$ 2,301,721	\$ 2,864,648
Accounts receivable	433,049	1,190,746
Prepaid expenses	91	-
	2,734,861	4,055,394
Receivable from controlled entity (note 8)	63,741	35,845
Enhanced Access loans receivable (note 3)	1,455,872	741,520
Capital assets (note 4)	10,283	26,047
	\$ 4,264,757	\$ 4,858,806
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 537,395	\$ 1,648,191
Deferred revenue (note 5)	596,484	771,216
	1,133,879	2,419,407
Unamortized external capital contributions (note 7)	6,548	18,948
Enhanced Access revolving fund (note 6)	2,607,457	1,919,037
Net assets:		
Invested in capital assets	3,735	7,099
Unrestricted	513,138	494,315
	516,873	501,414
Future operations (note 1)		
Commitments (note 11)		
Contingencies (note 12)		
	\$ 4,264,757	\$ 4,858,806

See accompanying notes to financial statements.

Approved by the Directors:

Director



Director



STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31, 2007, WITH COMPARATIVE FIGURES FOR 2006

	2007	2006
Revenue:		
Aboriginal Business Canada	\$ 1,914,030	\$ 2,407,902
Indian and Northern Affairs Canada	-	1,142,268
Membership fees	163,500	173,500
Amortization of external capital contributions (note 7)	12,400	93,475
Interest	58,002	71,724
Administration fees (note 8)	120,000	60,381
Other Youth Entrepreneurship Symposium (YES) funding	-	269,532
Other	38,185	36,350
	2,306,117	4,255,132
Program disbursements:		
Aboriginal Financial Institutions	-	525,192
Youth Entrepreneurship Symposium (YES) (note 13)	-	406,017
Enhanced access	500,000	151,398
Support and training	690,161	1,336,546
Interest rate buy down	143,615	200,490
ABC Projects	84,259	66,910
	1,418,035	2,686,553
Excess of revenue over program disbursements	888,082	1,568,579
Administration expenditures:		
Salaries and benefits	530,228	886,256
Professional fees	31,171	185,427
Travel	42,113	118,167
Amortization of capital assets	19,639	106,846
Board	87,208	70,406
Rent and facilities	65,217	67,004
Telephone, fax and internet	18,756	28,150
Advertising and promotion	5,556	27,782
GST non-refundable	11,655	22,86
Accounting and legal fees	32,462	22,733
Office supplies	8,513	15,664
Printing	2,217	12,973
Staff training and development	3,808	10,152
Postage and courier	4,981	9,178
Insurance	7,448	3,475
Bank charges	1,420	2,236
Conferences and meetings	231	-
	872,623	1,589,311
Excess (deficiency) of revenue over expenses from continuing operations	15,459	(20,732)
Other income (expenses) (note 13):		
Aboriginal Business Canada Repayment	-	(62,278)
Indian and Northern Affairs Recovery	-	26,338
Holdback recoveries from prior period	-	61,250
	-	25,310
Excess of revenue over expenditures	\$ 15,459	\$ 4,578

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2007, WITH COMPARATIVE FIGURES FOR 2006

			2007	2006
	Invested in capital assets	Unrestricted	Total	Total
Net assets, beginning of year	\$ 7,099	\$ 494,315	\$ 501,414	\$ 496,836
Excess of revenue over expenditures	-	15,459	15,459	4,578
Purchase of capital assets	4,375	(4,375)	-	-
Loss on disposal of capital assets	(500)	500	-	-
Amortization of capital assets	(19,639)	19,639	-	-
Amortization of external capital contributions	12,400	(12,400)	-	-
Net assets, end of year	\$ 3,735	\$ 513,138	\$ 516,873	\$ 501,414

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2007, WITH COMPARATIVE FIGURES FOR 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	\$ 15,459	\$ 4,578
Items which do not involve cash:		
Amortization of capital assets	19,639	106,846
Amortization of external capital contributions	(12,400)	(93,475)
Loss on disposal of capital assets	500	-
Changes in non-cash operating working capital:		
Accounts receivable	757,697	(125,326)
Prepaid expenses	(91)	28,820
Accounts payable and accrued liabilities	(1,110,796)	(253,868)
Deferred revenue	(174,732)	(481,990)
	(504,724)	(814,415)
Investing activities:		
Purchase of capital assets	(21,795)	(34,249)
Increase in Enhanced Access loans receivable	(741,520)	-
Increase in unamortized external capital contributions	19,268	18,306
	(744,047)	(15,943)
Financing activities:		
Increase in receivable from controlled entity	(27,896)	(6,337)
Increase in Enhanced Access revolving fund	688,420	1,152,726
	660,524	1,146,389
Decrease in cash	(562,927)	(412,073)
Cash, beginning of year	2,864,648	3,276,721
Cash, end of year	\$ 2,301,721	\$ 2,864,648
Supplemental cash flow information:		
Interest paid	\$ -	\$ 451

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

The National Aboriginal Capital Corporation Association (the "Association") is incorporated under the Canada Corporations Act as a non-profit corporation without share capital, and is tax exempt under the Income Tax Act. Its objectives are:

"To facilitate the provision of products and services to Aboriginal Financial Institutions, in order to assist them in their efforts to support the promotion and establishment of Aboriginal businesses, while at all times respecting the autonomy of each of the Aboriginal Financial Institutions."

1. Future operations:

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Association will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Association's ability to continue as a going concern is subject to it obtaining adequate funding to fund its operations. No assurance can be given that sufficient funding and revenues will be available to the Association.

The financial statements do not include adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenditures, and the statement of financial position classifications used.

2. Significant accounting policies:

(a) Revenue recognition:

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the period in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital asset.

(b) Allowance for loan impairment:

The Association maintains an allowance for loan impairment that reduces the carrying value of the Enhanced Access loan portfolio to its estimated realizable value. The allowance is increased by a charge to loan impairment, which reduces the Enhanced Access Revolving Fund, and reduced by write-offs.

A specific allowance is established on an individual loan basis to reduce the carrying value to estimated realizable value. In addition, a general allowance may be established where, in management's opinion, it is necessary to account for losses inherent in the Enhanced Access loan portfolio, for which a specific allowance cannot be determined.

(c) Capital assets:

Capital assets are recorded at cost. Amortization of computer system and office equipment is provided for using the straight-line basis over three years.

Leasehold improvements are amortized using the straight-line basis over the term of the lease.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(d) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates. Significant management estimates include the collectibility of accounts receivable and loans receivable - Enhanced Access, and the valuation of capital assets.

(e) Financial instruments:

All significant financial assets and financial liabilities of the Association are either recognized or disclosed in the financial statements, together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

3. Enhanced Access loans receivable:

Enhanced Access loans receivable are made to Aboriginal Financial Institutions and are repaid as the Aboriginal Financial Institutions receive repayment from their clients

	2007	2006
Principal and allowance:		
Loans receivable	\$ 1,586,728	\$ 872,376
Provision for impaired loans	130,856	130,856
Net carrying value	\$ 1,455,872	\$ 741,520

NACCA does not require security from, or charge interest to, participating Aboriginal Financial Institutions who receive Enhanced Access loans. Participating Aboriginal Financial Institutions are required to repay Enhanced Access loans when they receive repayment from their clients.

Repayments of Enhanced Access loans by Aboriginal Financial Institutions are placed in a Revolving Fund, which is used to fund future Enhanced Access loans.

Enhanced Access loans are recorded at the lower of principal and estimated realizable amounts.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital assets:

			2007	2006
	Cost	Accumulated amortization	Net book value	Net book value
Computer system	\$ 343,472	\$ 339,947	\$ 3,525	\$ 9,467
Office equipment	47,647	47,311	336	3,735
Leasehold improvements	19,268	12,846	6,422	12,845
	\$ 410,387	\$ 400,104	\$ 10,283	\$ 26,047

Cost and accumulated amortization at March 31, 2006 amounted to \$407,512 and \$381,465 respectively.

During the year, the Association disposed of assets with a cost of \$1,500 and accumulated amortization of \$1,000.

5. Deferred revenue:

Details of deferred revenue by program are as follows:

	2007	2006
General	\$ -	\$ 6,000
Access to capital initiative	593,109	756,729
Other ABC Projects	3,375	8,487
	\$ 596,484	\$ 771,216

6. Enhanced Access revolving fund:

The basis for accounting for Enhanced Access loans changed effective April 1, 2005 to recognize loans as loans receivable. During the first seven years of the Enhanced Access program loan disbursements were accounted for as program expenditures. A revolving fund accounts for capital available for future Enhanced Access lending activities.

Prior to fiscal 2006, the revolving fund was increased by repayments of Enhanced Access loans, and was decreased by the amount by any new Enhanced Access loans which were financed by the revolving fund and not by new government contributions. Interest on account was recognized as program revenue and used for Enhanced Access activities.

Subsequent to fiscal 2005, the revolving fund is increased by repayments of pre-fiscal 2006 loans, interest on account, and new loans financed with new current government contributions. The revolving fund is decreased by any provision for impaired loans.

	2007	2006
Revolving fund, beginning of year	\$ 1,919,037	\$ 766,311
Add:		
Repayments of pre-fiscal 2006 loans	217,000	915,278
Government contributions loaned to Aboriginal Financial Institution	439,686	348,602
Interest	31,734	19,702
	688,420	1,283,582

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Less:

Provision for impaired loans	-	130,856
	-	130,856
Revolving fund, Enhanced Access	\$ 2,607,457	\$ 1,919,037

7. Unamortized external capital contributions:

The balance at the end of the year represents the external capital contributions that will be recognized as revenue in future years.

	2007	2006
Balance, beginning of year	\$ 18,948	\$ 93,155
External capital contributions	-	19,268
Less amounts recognized as revenue in the year	(12,400)	(93,475)
Balance, end of year	\$ 6,548	\$ 18,948

8. Controlled entity:

The Silu' Corporation is incorporated under the Canadian Corporations Act as a non-profit corporation without share capital, and is tax exempt under the Income Tax Act. It was established on March 1, 2001 to provide contractors owned by persons of aboriginal descent, including the Status and Non-Status Indian, Inuit and Metis people of Canada, with financial support so that Aboriginal contractors can develop their opportunities and prosper.

The assets of this corporation are required to be used for specific purposes and are not available to the Association unless the corporation is dissolved, at which point the restrictions on use continue to apply to the Association. The accounts of the Corporation are not consolidated with the Association's financial statements. A financial summary of this non-consolidated entity as at March 31, 2007 is as follows:

	2007	2006
Restricted cash	\$ 3,753,157	\$ 3,717,735
Loans receivable	75,000	79,797
Other assets	122,602	149,728
Total liabilities	83,477	85,386
Net assets	3,867,282	3,861,874
Total revenue	230,994	100,269
Total expenditures	225,586	195,189
Excess (deficiency) of revenue over expenditures	5,408	(94,920)

During the year, the Association earned administration fees of \$120,000 (2006 - \$60,000). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amounts receivable from the controlled entity is unsecured, non-interest bearing and have no set repayment terms.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Employee benefit plans:

As of January 1, 2005, the Association became an employer member of the Native Benefits Plan, which is a multi-employer, defined benefit pension plan. The Association has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. Employer contributions to the Plan during the year ended March 31, 2007 were \$26,132 (2006 - \$45,347). This amount is included in salaries and benefits on the statement of revenue and expenditures.

10. Fair values of financial assets and financial liabilities:

The fair values of cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the relatively short periods to maturity of the instruments.

The fair value of loans receivable - Enhanced Access is not practical to determine due to the limited amount of comparable market information.

11. Commitments:

(a) Lease commitments:

The Association has entered into various premise leases. Future minimum lease payments are as follows:

2008	\$	34,598
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(b) Access to Capital:

Under the Access to Capital Programs, both the Association as Program Manager, and Peace Hills Trust as Program Administrator, have approved and committed funding for various Support and Training projects totalling \$747,797 (2006 - \$403,875). Approved Support and Training projects are meant to increase the capacity of Aboriginal Financial Institutions, optimize efficiencies, and increase their ability to engage unused capital for developmental lending. Approved projects are typically in the areas of management and staff training, strategic planning, and Board/governance training and advice.

Under the Access to Capital Program, both the Association as Program Manager, and Peace Hills Trust as Program Administrator, have approved and committed funding for various Enhanced Access loans and associated non-repayable disbursements totalling \$822,810. Approved Enhanced Access loans are meant to provide Aboriginal Financial Institutions with capacity to service Aboriginal clients who operate in areas of Canada where there is no access to a source of developmental lending.

13. Contingencies:

Certain program revenues of the Association are subject to conditions regarding the expenditures of the funds. The Association's accounting records are subject to audit by funding agencies to identify instances, if any, in which the amounts charged to projects have not complied with the agreed terms and conditions, and which, therefore, would be refundable to the funding agency. Adjustments to the financial statements as a result of these audits will be recorded in the period in which they become known.

In 2006, the Association refunded \$62,278 to Aboriginal Business Canada for ineligible expenditures of prior year's contributions and recovered \$87,588 from Indian and Northern Affairs for amounts previously written off.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. Youth Entrepreneurship Symposium (YES) program disbursement:

	2007	2006
Travel	\$ -	\$ 123,523
Food cost and meals	-	103,178
Accommodations	-	78,183
Entertainment and promotion	-	53,468
Contingency	-	16,637
Equipment rental	-	15,471
Speakers and presenters	-	13,110
Courier	-	2,447
Total disbursements	\$ -	\$ 406,017

14. Comparative figures:

Certain 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2007.

SCHEDULE OF REVENUE AND EXPENDITURES

PROGRAMS SCHEDULE 1

YEAR ENDED MARCH 31, 2007, WITH COMPARATIVE FIGURES FOR 2006

	Program activity			Combined Total		
	General	Access to capital (Schedule 2)	Other ABC programs and projects (Schedule 3)	Program Total	March 31, 2007	March 31, 2006
Revenue:						
Aboriginal Business Canada	\$ -	\$1,609,497	\$304,623	\$1,914,030	\$1,914,030	\$2,407,902
Indian and Northern Affairs Canada	-	-	-	-	-	1,142,268
Memberships	163,500	-	-	4,886	163,500	173,500
Amortization of external capital contributions	7,514	-	4,886	39,259	12,400	93,475
Interest	18,743	39,259	-	-	58,002	71,724
Administration fees	120,000	-	-	-	120,000	60,381
Other Youth Entrepreneurship Symposium (YES) funding	-	-	-	-	-	269,532
Other	38,185	-	-	-	38,185	36,350
	347,942	1,648,666	309,509	1,958,175	2,306,117	4,255,132
Program disbursements:						
Aboriginal Financial Institutions – FNIYBP	-	-	-	-	-	525,192
Youth Entrepreneurship Symposium (YES)	-	-	-	-	-	406,017
Enhanced access fund	-	500,000	-	500,000	500,000	151,398
Support and training	-	690,161	-	690,161	690,161	1,336,546
Interest rate buy-down (IRB)	-	143,615	-	143,615	143,615	200,490
ABC projects	-	-	84,259	84,259	84,259	66,910
	-	1,333,776	84,259	1,418,035	1,418,035	2,686,553
Excess of revenue over program disbursements	347,942	314,890	225,250	540,140	888,082	1,568,579
Administration expenditures:						
Salaries and benefits	161,945	194,874	173,409	368,283	530,228	886,256
Professional fees	27,230	3,869	72	3,941	31,171	185,427
Travel	12,667	15,795	13,651	29,446	42,113	118,167
Amortization of capital assets	14,752	-	4,887	4,887	19,639	106,846
Board	52,341	27,366	7,501	34,867	87,208	70,406
Rent and facilities	12,898	38,419	13,900	52,319	65,217	67,004
Telephone, fax and internet	7,841	6,664	4,251	10,915	18,756	28,150
Advertising and promotion	3,351	2,205	-	2,205	5,556	27,782
GST non-refundable	5,042	5,842	771	6,613	11,655	22,862
Accounting and legal fees	25,597	6,865	-	6,865	32,462	22,733
Office supplies	2,655	2,986	2,872	5,858	8,513	15,664
Printing	(893)	893	2,217	3,110	2,217	12,973
Staff training and development	216	3,592	-	3,592	3,808	10,152
Postage and courier	4,486	176	319	495	4,981	9,178
Insurance	704	5,344	1,400	6,744	7,448	3,475
Bank charges	1,420	-	-	-	1,420	2,236
Conferences and meetings	231	-	-	-	231	-
	332,483	314,890	225,250	540,140	872,623	1,589,311
Excess (deficiency) of revenue over expenditures	\$ 15,459	\$ -	\$ -	\$ -	\$ 15,459	\$ (20,732)

SCHEDULE OF REVENUE AND EXPENDITURES

SCHEDULE 2 – ACCESS TO CAPITAL INITIATIVE

YEAR ENDED MARCH 31, 2007

	IRB	Enhanced access	Support and training	Management	Total
Revenue:					
Aboriginal Business Canada	\$ 142,036	\$ 500,000	\$ 652,561	\$ 314,810	\$1,609,407
Interest	1,579	–	37,600	80	39,259
	143,615	500,000	690,161	314,890	1,648,666
Program disbursements	143,615	500,000	690,161	–	1,333,776
Excess of revenue over program disbursements	–	–	–	314,890	314,890
Administration expenditures:					
Salaries and benefits	–	–	–	194,874	194,874
Board	–	–	–	27,366	27,366
Travel	–	–	–	15,795	15,795
Professional fees	–	–	–	3,869	3,869
Advertising and promotion	–	–	–	2,205	2,205
Rent and facilities	–	–	–	38,419	38,419
Telephone, fax and internet	–	–	–	6,664	6,664
Office supplies	–	–	–	2,986	2,986
Printing	–	–	–	893	893
Accounting and legal fees	–	–	–	6,865	6,865
GST non-refundable	–	–	–	5,842	5,842
Insurance	–	–	–	5,344	5,344
Staff training and development	–	–	–	3,592	3,592
Postage and courier	–	–	–	176	176
	–	–	–	314,890	314,890
Excess of revenue over expenditures	\$ –	\$ –	\$ –	\$ –	\$ –

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