

**PROVINCIAL METIS HOLDCO INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**



## MANAGEMENT'S RESPONSIBILITY

To the Members of **Provincial Metis Holdco Inc.:**

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to both the Board and management to discuss their audit findings.

April 16, 2007

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MEYERS NORRIS PENNY LLP

## AUDITORS' REPORT

To the Members:  
**Provincial Metis Holdco Inc.**

We have audited the statement of financial position of **Provincial Metis Holdco Inc.** as at December 31, 2006 and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the company'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 company as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Saskatoon, Canada  
April 16, 2007

*Meyers Norris Penny LLP*  
Chartered Accountants

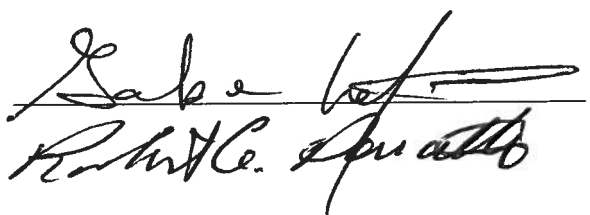
**PROVINCIAL METIS HOLDCO INC.**  
**Statement of Financial Position**

December 31, 2006

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
<i>Current</i>		
Cash	\$ -	11,872
Guaranteed Investment Certificate (note 3)	20,910	20,317
Rent receivable	52,427	48,420
Prepaid expenses	<u>2,194</u>	<u>2,194</u>
	<u>75,531</u>	<u>82,803</u>
Loan to Metis Nation - Saskatchewan Secretariat Inc. (note 4)	55,000	55,000
Capital assets (note 5)	<u>508,346</u>	<u>508,346</u>
	<u>\$ 638,877</u>	<u>646,149</u>
<b>Liabilities</b>		
<i>Current</i>		
Bank indebtedness	\$ 1,387	-
Accounts payable	5,283	8,157
GST payable	717	2,106
Accrued interest payable	15,493	7,423
Unearned rent	-	4,534
Current portion of long-term debt (note 7)	<u>286,000</u>	<u>-</u>
	<u>308,880</u>	<u>22,220</u>
Loan from Provincial Metis Housing Corporation (note 6)	45,000	45,000
Long-term debt (note 7)	231,658	516,133
Due to affiliate (note 8)	<u>112,100</u>	<u>112,100</u>
	<u>697,638</u>	<u>695,453</u>
<b>Net Assets</b>		
Invested in capital assets	334,398	334,319
Unrestricted	<u>(393,159)</u>	<u>(383,623)</u>
	<u>(58,761)</u>	<u>(49,304)</u>
	<u>\$ 638,877</u>	<u>646,149</u>

See accompanying notes.

**APPROVED ON BEHALF OF THE BOARD:**



Director



# PROVINCIAL METIS HOLDCO INC.

## Statement of Revenue and Expenses

Year ended December 31, 2006

	<u>2006</u>	<u>2005</u>
<i>Revenue</i>		
Rent and occupancy costs - related organizations (note 8)	\$ 161,195	171,567
- unrelated organizations	329	104
Other income	<u>593</u>	<u>317</u>
	<u>162,117</u>	<u>171,988</u>
 <i>Expenses</i>		
Bad debts	45,252	-
Bank charges	705	105
Common area - electrical	14,288	14,045
- gas	8,889	10,602
- water and sewer	8,729	5,509
Donations	1,791	500
Grounds and parking lot maintenance	1,844	2,629
Insurance	3,397	4,908
Interest on long-term debt	32,926	32,290
Janitorial	7,356	8,986
Professional fees	4,592	4,973
Property management fees	3,500	6,000
Property taxes	31,423	32,045
Repairs and maintenance	4,820	4,187
Snow and refuse removal	2,062	1,804
Travel	<u>-</u>	<u>564</u>
	<u>171,574</u>	<u>129,147</u>
Excess (deficiency) of revenue over expenses for the year	\$ <u>(9,457)</u>	<u>42,841</u>

See accompanying notes.

# PROVINCIAL METIS HOLDCO INC.

## Statement of Changes in Net Assets

Year ended December 31, 2006

	<u>2006</u>			<u>2005</u>
	<u>Invested in capital assets</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 334,319	(383,623)	(49,304)	(92,145)
Excess (deficiency) of revenue over expenses for the year	-	(9,457)	(9,457)	42,841
Repayment of long-term debt used to purchase capital assets	<u>79</u>	<u>(79)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 334,398</u>	<u>(393,159)</u>	<u>(58,761)</u>	<u>(49,304)</u>

*See accompanying notes.*

# PROVINCIAL METIS HOLDCO INC.

## Statement of Cash Flows

Year ended December 31, 2006

	<u>2006</u>	<u>2005</u>
<b>Cash provided by (used in) the following activities:</b>		
<i>Operating</i>		
Excess (deficiency) of revenue over expenses for the year	\$ (9,457)	42,841
Changes in working capital balances:		
Rent receivable	(4,007)	(48,420)
Prepaid expenses	-	1,652
Accounts payable	(2,874)	6,061
GST payable	(1,389)	(147)
Accrued interest payable	8,070	2,860
Unearned rent	<u>(4,534)</u>	<u>4,534</u>
	<u>(14,191)</u>	<u>9,381</u>
<i>Investing</i>		
Purchase of short-term investment	<u>(593)</u>	<u>(317)</u>
<i>Financing</i>		
Short-term loan from Provincial Metis Housing Corporation	-	(10,000)
Advance (repayment) of long-term debt (net)	<u>1,525</u>	<u>(99)</u>
	<u>1,525</u>	<u>(10,099)</u>
Net change in cash during year	(13,259)	(1,035)
Cash, beginning of year	<u>11,872</u>	<u>12,907</u>
Cash, end of year	\$ <u><u>(1,387)</u></u>	<u><u>11,872</u></u>
 Additional disclosure required is as follows:		
Interest paid	\$ <u><u>24,856</u></u>	<u><u>29,430</u></u>

*See accompanying notes.*

# PROVINCIAL METIS HOLDCO INC.

## Notes to Financial Statements

December 31, 2006

### 1. Nature of Operations

The company was incorporated July 15, 1992 under the Non-Profit Corporations Act of Saskatchewan, with one class of membership consisting of two charter members, The Metis Society of Saskatchewan Inc. and Provincial Metis Housing Corporation. The purpose of the company is to promote the economic and social welfare of persons of Metis origin who are members of the Metis Nation of Saskatchewan and to provide support for recognized benevolent and charitable enterprises, federations, agencies and societies engaged in assisting the development, both economic and social, of the Metis people who are members of the Metis Nation of Saskatchewan.

The company owns an office building in Saskatoon, Saskatchewan. The company's mandate is served by renting office space to organizations providing services to members of the Metis Nation of Saskatchewan and by providing financial support to such organizations.

Due to the nature of its activities, the company is not taxable for income tax purposes under section 149 of the Income Tax Act.

### 2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

#### a) Capital Assets and Amortization

Capital assets are carried at cost if purchased, or fair value at the date of acquisition if received by gift. Proceeds of disposals, less carrying values of these assets are reported in the statement of revenue and expenses as gains or losses on disposal. The company does not record amortization on an annual basis.

#### b) Revenue Recognition

The company recognizes revenue as it accrues in accordance with the terms of its rental agreements, provided reasonable assurance exists regarding measurement and collectibility.

#### c) Measurement Uncertainty

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Valuation of the balances receivable from Metis Nation - Saskatchewan Secretariat Inc. are based on management's best estimates. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.



# PROVINCIAL METIS HOLDCO INC.

## Notes to Financial Statements - Continued

December 31, 2006

### 2. Significant Accounting Policies - continued

#### d) Recent Accounting Pronouncements

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2006. Section 3855 Financial Instruments – Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Section 3861 Financial Instruments – Disclosure and Presentation discusses the presentation and disclosure of these items. Section 1530 Comprehensive Income establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to hedges or other derivative instruments, outside of net income, in a statement of comprehensive income. Although the requirements of Section 1530 Comprehensive Income are not applicable for not-for-profit organizations, amendments to Section 4400 Not-For-Profit Organizations will require presentation of gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets. There have also been numerous consequential amendments made to other Sections.

In December 2006, the Canadian Institute of Chartered Accountants issued Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation to replace Section 3861 Financial Instruments – Disclosure and Presentation. These new Sections are effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, but may be adopted in place of Section 3861, before that date.

### 3. Guaranteed Investment Certificate

The guaranteed investment certificate bears interests at 3.25% and matures November 30, 2007. It is pledged as security for the debt of Metis Nation - Saskatchewan Secretariat Inc. at the Royal Bank of Canada.

### 4. Loan to Metis Nation - Saskatchewan Secretariat Inc.

The loan is unsecured, non-interest bearing and was receivable in full at December 31, 2005. However, payment has been deferred indefinitely and therefore the balance outstanding at December 31, 2006 has been classified as non-current.

# PROVINCIAL METIS HOLDCO INC.

## Notes to Financial Statements - Continued

December 31, 2006

### 5. Capital Assets

	<u>2006</u>	<u>2005</u>
Land and building	\$ 502,063	502,063
Building improvements	6,092	6,092
Equipment	<u>191</u>	<u>191</u>
	<u>\$ 508,346</u>	<u>508,346</u>

### 6. Loan from Provincial Metis Housing Corporation

The loan is unsecured, non-interest bearing and was to be repayable in monthly instalments of \$5,000 commencing February 1, 2005. During 2005, the remaining monthly instalments were deferred indefinitely and therefore the balance outstanding at December 31, 2006 has been classified as non-current.

### 7. Long-Term Debt

	<u>2006</u>	<u>2005</u>
SaskNative Economic Development Corporation mortgage payable in monthly instalments of \$4,190 including interest at 9% per annum; secured by a promissory note for \$286,000, a second mortgage on land and building, a general security agreement on all property, and assignment of insurance; due October 2010. Terms have been amended to interest only payments of \$1,750 from November 1, 2004 to December 1, 2007. Regular payments of \$4,190 will resume thereafter.	231,658	230,133
Metis Nation-Saskatchewan Secretariat Inc. (operating as Clarence Campeau Development Fund) mortgage payable in quarterly instalments of \$2,860 of interest only at 4% per annum; secured by first mortgage on land and building, and assignment of insurance; due July 2007. As of year end payments are in arrears.	<u>286,000</u>	<u>286,000</u>
Less principal portion due within one year	<u>(286,000)</u>	<u>-</u>
	<u>\$ 231,658</u>	<u>516,133</u>

# PROVINCIAL METIS HOLDCO INC.

## Notes to Financial Statements - Continued

December 31, 2006

### 7. Long-Term Debt - continued

Principal repayments are estimated as follows:

2007	\$286,000
2008	30,676
2009	33,553
2010	167,429

### 8. Due to Affiliate

	<u>2006</u>	<u>2005</u>
Provincial Metis Housing Corporation	<u>\$ 112,100</u>	<u>112,100</u>

The loan is unsecured, non-interest bearing and without fixed terms of repayment. Provincial Metis Housing Corporation is affiliated through membership in Provincial Metis Holdco Inc.

All borrowings where the lender has a right to demand repayment within twelve months (other than in the event of default or breach of covenants), or where the lender may decide not to roll over the borrowing for a further lending period longer than twelve months, are required to be classified as current liabilities. Provincial Metis Housing Corporation has waived its right to demand repayment until January 1, 2008, and therefore this balance is reflected as long-term.

### 9. Related Party Transactions

All rents received during the year from organizations related by common membership occurred in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

# PROVINCIAL METIS HOLDCO INC.

## Notes to Financial Statements - Continued

December 31, 2006

### 10. Financial Instruments

The company as part of its operations carries a number of financial instruments. It is management's opinion that the company is not exposed to significant interest or credit risks arising from these financial instruments.

#### *Fair Value*

The carrying amounts of cash, Guaranteed Investment Certificate, bank indebtedness, accounts payable, and accrued interest payable approximate their fair values due to the short-term maturities of these items. It is not possible to estimate the fair value of the loans to and from related parties nor the amount due to affiliate as it is not possible to predict the timing of cash outflows from these items in the absence of fixed repayment terms.

The fair value of the long-term debt is not determinable as it is not possible to estimate the terms that would apply to a commercial lending arrangement of similar size.

#### *Credit Concentration*

Of the total rent receivable at year end, ninety-three percent is due from one tenant, The Metis Society of Saskatchewan Inc., one of the company's charter members. Management has reviewed the status of this receivable and is of the opinion it will be collected.

### 11. Comparative Figures

Certain of the prior year's comparative figures have been restated to conform to the current year's method of presentation.