

Financial Statements of

**PROVINCIAL MÉTIS HOLDCO
INC.**

Year ended December 31, 2011



KPMG LLP
Chartered Accountants
600-128 4th Avenue South
Saskatoon Saskatchewan S7K 1M8
Canada

Telephone (306) 934-6200
Fax (306) 934-6233
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Provincial Métis Holdco Inc.

We have audited the accompanying financial statements of Provincial Métis Holdco Inc., which comprise the statement of financial position as at December 31, 2011, and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 our 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, we consider 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 qualified audit opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Provincial Métis Holdco Inc. as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

May 17, 2012
Saskatoon, Canada

PROVINCIAL MÉTIS HOLDCO INC.


Statement of Financial Position

December 31, 2011, with comparative figures for 2010

| | 2011 | 2010 |
|--|-------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 526,642 | \$ 363,547 |
| Guaranteed investment certificate (note 2) | 22,135 | 22,135 |
| Accounts receivable | 8,791 | 9,971 |
| Prepaid expenses | 29,049 | 40,968 |
| Due from Métis Nation - Saskatchewan Secretariat Inc. | - | 150,000 |
| | <u>586,617</u> | <u>586,621</u> |
| Leasehold improvements (note 3) | 84,739 | 107,336 |
| | <u>\$ 671,356</u> | <u>\$ 693,957</u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 14,934 | \$ 13,301 |
| Due to Métis Nation - Saskatchewan Secretariat Inc. | 124 | - |
| Due to SaskMétis Economic Development Corporation (note 4) | 53,991 | 95,227 |
| | <u>69,049</u> | <u>108,528</u> |
| Net assets: | | |
| Unrestricted | 602,307 | 585,429 |
| Commitments (note 5) | | |
| | <u>\$ 671,356</u> | <u>\$ 693,957</u> |

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

PROVINCIAL MÉTIS HOLDCO INC.

Statement of Revenue and Expenses

Year ended December 31, 2011, with comparative figures for 2010

| | 2011 | 2010 |
|--|------------|-------------|
| Rental income (related organizations) | \$ 255,001 | \$ 254,320 |
| Expenses: | | |
| Office rent | 145,681 | 154,924 |
| Amortization of leasehold improvements | 22,597 | 22,597 |
| Common area (electrical) | 18,411 | 15,295 |
| Professional fees | 15,007 | 8,334 |
| Janitorial | 13,421 | 19,029 |
| Interest on long-term debt | 7,483 | 10,144 |
| Repairs and maintenance | 7,418 | 1,083 |
| Common area (gas) | 3,531 | 5,480 |
| Grounds and parking lot maintenance | 2,148 | 3,580 |
| Common area (water and sewer) | 1,514 | 881 |
| Bank charges | 912 | 223 |
| Bad debts (note 6) | - | 27,079 |
| Snow and refuse removal | - | 1,024 |
| | 238,123 | 269,673 |
| Excess (deficiency) of revenue over expenses | \$ 16,878 | \$ (15,353) |

See accompanying notes to financial statements.

PROVINCIAL MÉTIS HOLDCO INC.

Statement of Changes in Net Assets

Year ended December 31, 2011, with comparative figures for 2010

| | 2011 | 2010 |
|--|------------|------------|
| Balance, beginning of year | \$ 585,429 | \$ 600,782 |
| Excess (deficiency) of revenue over expenses | 16,878 | (15,353) |
| Balance, end of year | \$ 602,307 | \$ 585,429 |

See accompanying notes to financial statements.

PROVINCIAL MÉTIS HOLDCO INC.

Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

| | 2011 | 2010 |
|---|-------------------|-------------------|
| Cash flows from (used in): | | |
| Operations: | | |
| Excess (deficiency) of revenue over expenses | \$ 16,878 | \$ (15,353) |
| Item not involving cash: | | |
| Amortization of leasehold improvements | 22,597 | 22,597 |
| Change in non-cash operating working capital: | | |
| Accounts receivable | 1,180 | 34,606 |
| Prepaid expenses | 11,919 | (11,919) |
| Accounts payable and accrued liabilities | 1,634 | (7,375) |
| | <u>54,208</u> | <u>22,556</u> |
| Financing: | | |
| Decrease (increase) in due from (to) Métis Nation - Saskatchewan Secretariat Inc. | 150,124 | (149,049) |
| Principal payments on debt | (41,236) | (31,023) |
| Loan proceeds | - | 126,250 |
| | <u>108,887</u> | <u>(53,822)</u> |
| Investing: | | |
| Increase in guaranteed investment certificate | - | (33) |
| Purchase of leasehold improvements | - | (129,933) |
| | <u>-</u> | <u>(129,966)</u> |
| Increase (decrease) in cash position | 163,095 | (161,232) |
| Cash position, beginning of year | 363,547 | 524,779 |
| Cash position, end of year | <u>\$ 526,642</u> | <u>\$ 363,547</u> |
| Cash position is comprised of the following: | | |
| Cash in bank account | \$ 16,066 | \$ 5,578 |
| Cash in trust account (note 6) | 510,576 | 357,969 |
| | <u>\$ 526,642</u> | <u>\$ 363,547</u> |
| Supplemental cash flow disclosure: | | |
| Interest paid | \$ 7,483 | \$ 9,727 |

See accompanying notes to financial statements.

PROVINCIAL MÉTIS HOLDCO INC.

Notes to Financial Statements

Year ended December 31, 2011

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 Métis Nation - Saskatchewan Secretariat Inc. and Provincial Métis Housing Corporation. The purpose of the Company is to promote the economic and social welfare of persons of Métis origin and to provide support for recognized benevolent and charitable enterprises, federations, agencies and societies engaged in assisting the development, both economic and social of Métis citizens.

The Company currently leases an office building in Saskatoon, Saskatchewan which it rents to other organizations. The Company's mandate is served by renting office space to organizations providing services to Métis citizens 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.

1. Significant accounting policies:

(a) Basis of presentation:

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

(b) 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from these estimates.

PROVINCIAL MÉTIS HOLDCO INC.

Notes to Financial Statements (continued)

Year ended December 31, 2011

1. Significant accounting policies (continued):

(c) 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. Amortization is provided for using the following method and rates:

| Asset | Method | Rate |
|------------------------|---------------|--|
| Leasehold improvements | Straight-line | 69 months (lease term plus one renewal period) |

(d) 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.

(e) Financial instruments:

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below:

- Cash and investments are classified as financial assets held for trading and are measured at fair value.
- Accounts receivable are classified as loans and receivables and measured at amortized cost.
- Accounts payable and accrued liabilities are classified as other liabilities and measured at amortized cost.

Transaction costs related to held for trading financial assets are expensed as incurred.

PROVINCIAL MÉTIS HOLDCO INC.

Notes to Financial Statements (continued)

Year ended December 31, 2011

2. Guaranteed investment certificate:

The guaranteed investment certificate bears interest at a variable rate (currently 0.75%) and matures November 29, 2012. It is pledged as security for the line of credit of Métis Nation - Saskatchewan Secretariat Inc. at the Royal Bank of Canada.

3. Leasehold improvements:

| | Cost | Accumulated amortization | 2011 | 2010 |
|------------------------|------------|-----------------------------|-----------|------------|
| Leasehold improvements | \$ 129,933 | \$ (45,194) | \$ 84,739 | \$ 107,336 |
| | \$ 129,933 | \$ (45,194) | \$ 84,739 | \$ 107,336 |

4. Due to SaskMétis Economic Development Corporation:

| | 2011 | 2010 |
|---|-----------|-----------|
| SaskMétis Economic Development Corporation demand loan payable in monthly instalments of \$4,075 including interest at 10%, secured by demand promissory note, cash in trust accounts, general security agreement on all property and assignment of insurance, due 2013 | \$ 53,991 | \$ 95,227 |
| | \$ 53,991 | \$ 95,227 |

Estimated principal repayments on the demand loan based on scheduled repayments are as follows:

| | |
|------|-----------|
| 2012 | \$ 46,000 |
| 2013 | 7,991 |
| | \$ 53,991 |

PROVINCIAL MÉTIS HOLDCO INC.

Notes to Financial Statements (continued)

Year ended December 31, 2011

5. Commitments:

The Company leases office space pursuant to the terms of an operating lease expiring September 30, 2012 with an option to renew for 3-5 years. The estimated future minimum lease payments including occupancy costs are as follows:

| | |
|------|------------|
| 2012 | \$ 107,269 |
|------|------------|

6. 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.

During the 2010 year rent receivable of \$97,466 from Métis Nation - Saskatchewan Secretariat Inc. was forgiven. Of the amount forgiven, \$27,079 related to the 2010 fiscal year and \$70,387 related to prior years and had previously been included in the Company's allowances for doubtful accounts.

During fiscal 2011 year the 2010 receivable balance in the amount of \$150,000 owing from Métis Nation - Saskatchewan Secretariat Inc. was collected.

A reconciliation of the cash in trust account is as follows:

| | 2011 |
|---|------------|
| Balance, January 1, 2010 | \$ 526,166 |
| Interest earned | 1,803 |
| Advances to Métis Nation - Saskatchewan Secretariat Inc. | (150,000) |
| Transfer to Provincial Métis Holdco Inc. cash account | (20,000) |
| Balance, December 31, 2010 | 357,969 |
| Interest earned | 2,607 |
| Repayment of advances by Métis Nation - Saskatchewan Secretariat Inc. | 150,000 |
| Balance, December 31, 2011 | \$ 510,576 |

PROVINCIAL MÉTIS HOLDCO INC.

Notes to Financial Statements (continued)

Year ended December 31, 2011

7. Financial instruments:

The Company has exposure to the following risks from its use of financial instruments:

Credit risk

The Company's principal financial assets are cash, investments and accounts receivable which are all subject to credit risk. The carrying amounts of these financial assets on the statement of financial position represent the Company's maximum credit exposure at that date.

Credit risk on cash and investments are considered minimal as the counterparties are chartered banks with high credit ratings assigned by national credit-rating agencies.

Interest rate risk

The guaranteed investment certificate has a limited exposure to interest rate risk due to the short-term period to maturity.

Market risk

The Company is not exposed to significant market or other price risk.

Fair values

Cash and investments are recorded at fair value.

The carrying amounts of accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the short-term maturities of these items.

It is not possible to determine the fair value of amounts due to (from) Métis Nation - Saskatchewan Secretariat Inc. or due to SaskMétis Economic Development Corporation due to the non-arms length nature of the relationships between the related parties.