Provincial Metis Housing Corporation
Financial Statements
December 31, 2013

ACCOUNTING › CONSULTING › TAX
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Management's Responsibility

To the Board of Directors of Provincial Metis Housing Corporation:

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 accounting standards for not-for-profit organizations. 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 composed entirely of Directors who are neither management nor employees of the Corporation. The Board 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 Corporation's external auditors.

MNP LLP is appointed by the board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

Independent Auditors' Report

To the Board of Directors of Provincial Metis Housing Corporation:

We have audited the accompanying financial statements of Provincial Metis Housing Corporation, which comprise the statement of financial position as at December 31, 2013, the statements of revenue and expenses, changes in net assets, and cash flows, and the accompanying schedules 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 Provincial Metis Housing Corporation as at December 31, 2013 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 14 to the financial statements which identifies that Saskatchewan Housing Corporation is reviewing the forgiveness schedule for its loan for the Yorkton Housing Project. This review could impact amounts recognized for the loan balance, forgiveness of loan, and net assets externally restricted for the Yorkton Housing Project.

MNP LLP
Chartered Accountants

Saskatoon, Saskatchewan
April 24, 2014

Provincial Metis Housing Corporation
Statement of Financial Position
As at December 31, 2013

	2013	2012
Assets		
Current		
Cash	**517,485**	202,572
Accounts receivable	**5,851**	1,093
Due from Saskatchewan Housing Corporation	**-**	28,104
GST receivable	**1,474**	21,924
	524,810	253,693
Due from Round Prairie Ventures Inc. *(Note 3)*	**52,040**	33,836
Capital assets *(Note 4)*	**1,071,305**	1,122,445
	1,648,155	1,409,974
Liabilities		
Current		
Accounts payable and accruals	**11,726**	1,867
Vacation payable	**2,903**	-
Deferred funding *(Note 5)*	**351,626**	-
Security deposits	**2,850**	3,800
Loans due on demand *(Note: 6)*	**-**	269,310
Current portion of long-term debt *(Note 7)*	**11,709**	-
Current portion of loan from Saskatchewan Housing Corporation *(Note 8)*	**20,004**	20,004
	400,818	294,981
Long-term debt *(Note 7)*	**250,770**	-
Loan from Saskatchewan Housing Corporation *(Note 8)*	**754,285**	784,223
	1,405,873	1,079,204
Contingencies *(Note 14)*		
Net Assets		
Externally restricted - inspection *(Note 9)*	**81,746**	87,239
Externally restricted - Yorkton Housing Project *(Note 9)*	**97,820**	137,167
Unrestricted	**62,716**	106,364
	242,282	330,770
	1,648,155	1,409,974

Approved on behalf of the Board

May Henderson
Director

Marlene Hansen
Director

The accompanying notes are an integral part of these financial statements

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Provincial Metis Housing Corporation
Statement of Revenue and Expenses
For the year ended December 31, 2013

	Yorkton Housing Project	Aboriginal Homelessness Project	Non project	2013 Total	2012 Total
Revenue					
Rental income	41,500	-	-	**41,500**	37,550
Forgiveness of loan by Saskatchewan Housing Corporation *(Note 8)*	20,004	-	-	**20,004**	18,337
Human Resources and Skills Development Canada	-	55,328	-	**55,328**	-
Other	841	-	-	**841**	-
	62,345	55,328	-	**117,673**	55,887
Expenses					
Advertising	110	-	-	**110**	240
Amortization	51,140	-	-	**51,140**	25,570
Bad debts	-	-	-	**-**	1,005
Board of directors	9,188	-	-	**9,188**	4,381
Insurance	3,557	-	-	**3,557**	3,219
Interest and bank charges	443	-	-	**443**	
Interest on long-term debt	12,623	-	-	**12,623**	12,369
Meetings	-	-	-	**-**	465
Office rent	4,246	1,993	13,374	**19,613**	-
Office supplies	2,031	1,740	6,382	**10,153**	-
Other activity-related costs	-	1,330	-	**1,330**	-
Professional fees	10,946	2,107	-	**13,053**	5,733
Repairs and maintenance	6,149	-	-	**6,149**	4,320
Salaries and benefits	216	61,370	-	**61,586**	6,000
Telephone	460	1,152	1,445	**3,057**	-
Travel and sustenance	534	8,083	-	**8,617**	1,060
Utilities	49	-	-	**49**	48
	101,692	77,775	21,201	**200,668**	64,410
Deficiency of revenue over expenses before inspection services	(39,347)	(22,447)	(21,201)	**(82,995)**	(8,523)
Inspection services (schedule 1)				**(5,493)**	(283,123)
Deficiency of revenue over expenses				**(88,488)**	(291,646)

The accompanying notes are an integral part of these financial statements

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Provincial Metis Housing Corporation
Statement of Changes in Net Assets
For the year ended December 31, 2013

	Externally restricted - inspection	Externally restricted - Yorkton Housing Project	Unrestricted	2013	2012
Net assets, beginning of year	87,239	137,167	106,364	**330,770**	622,416
Deficiency of revenue over expenses	(5,493)	(39,347)	(43,648)	**(88,488)**	(291,646)
Net assets, end of year	**81,746**	**97,820**	**62,716**	**242,282**	330,770

Provincial Metis Housing Corporation
Statement of Cash Flows
For the year ended December 31, 2013

	2013	*2012*
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	**(88,488)**	(291,646)
Amortization	**51,140**	25,570
Forgiveness of loan by Saskatchewan Housing Corporation	**(20,004)**	(18,337)
	(57,352)	(284,413)
Changes in working capital accounts		
Accounts receivable	**(4,758)**	(1,093)
Due from Saskatchewan Housing Corporation	**28,104**	20,637
GST receivable	**20,450**	(27,489)
GST adjustment	**-**	43,800
Accounts payable and accruals	**9,859**	393
Vacation payable	**2,903**	(14,509)
Security deposits	**(950)**	3,800
Deferred funding	**351,626**	-
	349,882	(258,874)
Financing		
Advances of loan from Saskatchewan Housing Corporation	**-**	21,231
Repayments of loan from Saskatchewan Housing Corporation	**(9,934)**	-
Advances of loans due on demand	**-**	84,430
Repayment of long-term debt	**(6,831)**	-
	(16,765)	105,661
Investing		
Redemption of Guaranteed Investment Certificate (net)	**-**	276,305
Purchase of capital assets	**-**	(16,112)
Advances of Due from Round Prairie Ventures Inc.	**(18,204)**	-
Repayment of Due from Round Prairie Ventures Inc.	**-**	50,000
	(18,204)	310,193
Increase in cash resources	**314,913**	156,980
Cash resources, beginning of year	**202,572**	45,592
Cash resources, end of year	**517,485**	202,572

The accompanying notes are an integral part of these financial statements

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1. Incorporation and nature of the organization

The Provincial Metis Housing Corporation (the "Organization") is incorporated under the Non-Profit Corporations Act of Saskatchewan. The Corporation, in conjunction with Saskatchewan Housing Corporation ("SHC"), undertakes activities related to the provision of housing to aboriginal and non-aboriginal people in Saskatchewan.

The Organization 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 accounting standards for not-for-profit organizations and include the following significant accounting policies:

Organization subject to control

The Corporation exerts control over Round Prairie Ventures Inc. ("RPVI") by virtue of being the sole member of RPVI and through the provision of management services. RPVI has not been consolidated in the Corporation's financial statements (refer to Note 12).

Financial instruments

The Corporation recognizes its financial instruments when the Corporation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CICA 3840 Related Party Transactions (refer to Note 11).

At initial recognition, the Corporation may irrevocably elect to subsequently measure any financial instrument at fair value. The Corporation made no such election during the year.

The Corporation subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

Financial asset impairment

The Corporation assesses impairment of all of its financial assets measured at cost or amortized cost. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Corporation determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Corporation reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Corporation reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of revenue over expenses in the year the reversal occurs.

2. Significant accounting policies *(Continued from previous page)*

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives. Amortization is taken at one half of the stated rate in the year the asset is placed in service.

	Rate
Buildings	25 years
Landscaping	10 years
Fencing	5 years
Appliances	5 years

Revenue recognition

Program revenue and other inspection income is recognized when eligible services are rendered. Interest revenue is recognized as earned.

Rental income from the Yorkton Housing Project is recognized over the term of the rental agreement.

Grant funding is recognized when the conditions of the agreement have been met.

Allocation of expenses

The Corporation engages in the operation of low income housing and administration of the Aboriginal Homelessness project (2012 - operation of low income housing and provision of inspection services). The costs of each program include the costs of personnel, supplies and materials and other expenses that are directly related to providing the program. The Corporation also incurs a number of general support expenses that are common to the administration of the Corporation and each of its programs.

The Corporation allocates certain of its general support expenses by identifying the appropriate basis of allocating each component expense, and applies that basis consistently each year. Professional fees, salaries, board meetings and board travel have been allocated based on management's best estimates of the time spent related to each program.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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.

Accounts receivable, and amounts due from related entities are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

3. Due from Round Prairie Ventures Inc.

Round Prairie Ventures Inc. ("RPVI") was incorporated December 18, 2008 under the Non-Profit Corporations Act of Saskatchewan to promote housing and renovation projects for Metis in Saskatchewan. The Corporation is the sole member of RPVI. The amounts due from RPVI are unsecured, non-interest bearing and without fixed terms of repayment.

4. Capital assets

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Land	33,035	-	33,035	33,035
Buildings	1,044,852	62,691	982,161	1,023,955
Landscaping	46,802	7,020	39,782	44,462
Fencing	8,533	2,560	5,973	7,680
Appliances	14,792	4,438	10,354	13,313
	1,148,014	76,709	1,071,305	1,122,445

5. Deferred funding

The Corporation is party to a funding agreement with Human Resources and Skills Development Canada addressing Aboriginal Homelessness under the Homelessness Partnering Strategy. The Corporation's role under the agreement is to administer the funds received as a Community Entity with responsibilities which include processing claims from organizations conducting sub-projects that qualify under the Corporation's funding agreement. A portion of the funding is available to reimburse costs incurred by the Corporation to administer the project. The balance is to be flowed through for eligible expenses incurred by the sub-projects. Funding received to date has been applied as follows.

	2013	2012
Funding received in the year	658,930	-
Flowed through to sub-projects	(251,976)	-
Project administration	(55,328)	-
Deferred funding, end of year	351,626	-

6. Loans due on demand

Bank of Montreal non-revolving demand mortgages advanced for the construction of the properties within the Yorkton Housing Project were renegotiated into fixed rate term loans during the year (Note 7).

7. Long-term debt

	2013	2012
Bank of Montreal fixed rate term loans, with combined monthly payments of $976 principal plus interest at 4.69% per annum, due May 2018, secured by individual properties within the Yorkton Housing Project having combined net book values of $1,060,951	**262,479**	-
Less: Current portion	**11,709**	-
	250,770	-

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2014	11,709
2015	11,709
2016	11,709
2017	11,709
2018	11,709

8. Loan from Saskatchewan Housing Corporation

	2013	2012
Capital loan with an approved maximum of $897,702, due on demand, non-interest bearing unless in default, secured by land and buildings of the Yorkton Housing Project. Provided the Corporation is in compliance with the covenants, beginning the second month following substantial completion of construction the loan becomes forgivable at $1,667 per month for 120 months, $3,333 per month for the next 209 months, with the balance forgivable in the 330th month.	**774,289**	804,227
Less: Current portion	**20,004**	20,004
	754,285	784,223

Loan advances during the construction of the Yorkton Housing Project totalled $822,564. Based on the audited Statement of Capital Costs and Sources of Funding submitted by the Corporation during 2013, Saskatchewan Housing Corporation has determined this exceeded the maximum to be provided under the terms of its agreement with the Corporation. The $9,934 excess amount has been reclassed from forgivable loan to accounts payable at year end, and has been repaid in 2014.

Forgiveness of loan from Saskatchewan Housing Corporation in each of the next 5 years, assuming all operating covenants are met, is estimated as follows (refer to Note 14):

2014	20,004
2015	20,004
2016	20,004
2017	20,004
2018	20,004

9. Restrictions on net assets

Externally restricted net assets

The inspection services agreement with SHC required any excess of revenues over expenses realized pursuant to the agreements be used for funding social activities or housing-related activities. This excess was not to be released without the mutual agreement of the Board of the Corporation and SHC. The agreement specified that these terms would survive the expiry of the agreement. The accumulated net assets related to the inspection services are therefore classified as externally-restricted on the Statement of Financial Position.

The Corporation has entered into agreements with SHC concerning the Yorkton Housing Project. Those agreements required the Corporation to make an equity investment in the Project. The agreements also require a reserve fund to be established in subsequent years for financing future major repairs or capital improvements associated with the Project, and that any net surplus generated by the Project can only be invested in the reserve fund or used to reduce the rents of the Project. The accumulated net assets related to the Yorkton Housing Project are therefore classified as externally-restricted on the Statement of Financial Position.

10. Financial instruments

The Corporation, as part of its operations, carries a number of financial instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of amounts due from RPVI and MNS. The risk is mitigated by the amounts being due from related parties.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Corporation is exposed to interest rate risk with respect to its long-term debt.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation enters into transactions to purchase goods and services on credit and borrow funds from financial institutions or other creditors, for which repayment is required at various maturity dates. The Corporation manages its risk by maintaining liquid assets sufficient to cover its expected short-term cash outflows.

11. Related party transactions

During the year the Corporation had the following transactions with related parties:

The Corporation leased office space from Provincial Metis Holdco Inc. ("Holdco") for January through September for $18,927 (2012 - January through December for $24,489). The Corporation is one of two members of Provincial Metis Holdco Inc.

The Corporation charged Round Prairie Ventures Incorporated ("RPVI") $nil (2012 - $24,000) for management services and $15,342 (2012 - $13,638) for salaries for work performed by Corporation employees for RPVI. RPVI became responsible for the office lease in October 2013 and provided office space to the Corporation without charge for October through December. RPVI did not charge the Corporation for management services. The Corporation is the sole member of RPVI.

All above transactions are in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

At year end, accounts receivable included $4,083 (2012 - $nil) due from RPVI and $1,318 (2012 - $1,056) due from MNS. Accounts payable included $1,789 (2012 - $nil) due to RPVI.

12. Round Prairie Ventures Inc.

The following amounts represent the Corporation's interest relating to Round Prairie Ventures Inc.:

	2013	*2012*
Assets	**312,522**	262,357
Liabilities	**67,223**	38,208
Net assets	**245,299**	224,149
Revenues	**310,172**	289,265
Expenses	**306,041**	208,987
Equity pickup from significantly-influenced investee	**17,019**	-
Cash provided by operating activities	**24,737**	39,575
Cash provided by (used in) financing activities	**18,204**	(50,000)
Cash used in investing activities	**(10,050)**	-
Cash resources, end of the year	**271,723**	238,832

13. Economic dependence

The Corporation is economically dependent on the ongoing forgiveness of the loan from Saskatchewan Housing Corporation ("SHC") (refer to Note 8) for the operation of the Yorkton Housing Project.

14. Contingencies

The monthly forgiveness amounts for the SHC loan (refer to Note 8) presumed that the full $897,702 of approved funding would be advanced for the Project. As the loan was finalized at a lesser amount, SHC may make adjustments to the monthly forgiveness. Any changes that are required by the resolution of this contingency will be made in the period in which such resolution occurs.

The financial statements are subject to review by SHC and Human Resources and Skills Development Canada. It is possible based on their reviews that adjustments could be made to the amounts that have been recorded.

Provincial Metis Housing Corporation
Schedule 1 - Inspection Services
For the year ended December 31, 2013

	2013	2012
Revenue		
Residential Rehabilitation Assistance Program	-	214,331
Disabled Residential Rehabilitation Program	-	29,599
Emergency Repair Program	-	456
Home Adaptations for Senior Independence	-	625
RPVI management services	-	37,338
Interest	-	2,404
	-	284,753
Expenses		
Advertising	-	681
Bank charges	-	1,001
Board of directors	-	5,683
Business promotion	-	1,245
Donations	-	4,000
Inspection fees and travel	-	4,369
Insurance	-	1,472
Office rent	-	24,489
Office supplies	-	9,526
Professional fees	5,517	14,040
Salaries and employee benefits	(24)	460,548
Telephone	-	3,204
Travel and sustenance	-	37,618
	5,493	567,876
Deficiency of revenue over expenses	(5,493)	(283,123)