

**Pasqua First Nation  
CMHC Housing (Section 95)  
Financial Statements  
*March 31, 2013***

**Pasqua First Nation**  
**CMHC Housing (Section 95)**

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*For the year ended March 31, 2013*

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**INDEPENDENT AUDITOR'S REPORT**

To the Members of Pasqua First Nation

We have audited the accompanying financial statements of Pasqua First Nation (CMHC Housing (Section 95)), which comprise the statement of financial position as at March 31, 2013, and the statements of operations and changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Disclosed Basis of Accounting, 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.

*Auditor's 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 auditor's 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 organization'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 organization'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 in our audit 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 Pasqua First Nation (CMHC Housing (Section 95)) as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with the reporting requirements of the CMHC funding agreements.

*Basis of Accounting and Restriction on Use*

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to comply with the CMHC funding agreements. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the management of Pasqua First Nation and Canada Mortgage and Housing Corporation to comply with the CMHC funding agreements and should not be used by other parties or for any other purpose.

Regina, Saskatchewan  
July 24, 2013

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Chalupiak & Associates

**Pasqua First Nation**  
**CMHC Housing (Section 95)**  
**Statement of Financial Position**  
*March 31, 2013*

	2013	2012
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 87,924	\$ 138,542
Restricted cash - replacement reserve - bank - note 6	55,210	82,720
Restricted cash - operating reserve - bank	3,134	-
Restricted cash - replacement reserve - GICs - note 6	416,625	456,625
Subsidy receivable	42,873	34,522
	605,766	712,409
<b>Houses - note 1.a</b>	4,566,851	3,809,297
	\$ 5,172,617	\$ 4,521,706
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 10,482	\$ 22,107
Current portion of CMHC mortgages - note 2	241,721	174,317
	252,203	196,424
<b>Long-term liabilities</b>		
Due to Pasqua First Nation - note 7	29,852	175,054
CMHC mortgages - note 2	4,325,130	3,634,980
<b>Reserves</b>		
Replacement reserve - note 5	463,096	402,973
Operating reserve - Post-1996 - note 5	144,956	149,569
	608,052	552,542
	4,963,034	4,362,576
<b>Operating Equity (Deficit) - note 5</b>	(42,620)	(37,294)
	\$ 5,172,617	\$ 4,521,706

Approved on behalf of the Band membership:

\_\_\_\_\_ Chief

\_\_\_\_\_ Councilor

**Pasqua First Nation**  
**CMHC Housing (Section 95)**  
**Statement of Operations**  
**and Changes in Net Assets**  
*For the year ended March 31, 2013*

	2013	2012 Restated
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<b>Revenues</b>		
Rental income	\$ 258,678	\$ 218,712
CMHC subsidy	306,002	232,222
	<hr/>	<hr/>
	564,680	450,934
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<b>Expenditures</b>		
Administration fees	34,195	28,245
Insurance premiums	48,465	60,616
Mortgage payments	325,151	261,296
Professional fees	10,482	8,107
Repairs and maintenance	64,946	58,791
Replacement reserve	67,680	55,680
	<hr/>	<hr/>
	550,919	472,735
<hr/>		
<b>Surplus (deficit) for the year from operations</b>	13,761	(21,801)
Transfer from (to) operating reserve fund - Post-1996	(19,087)	17,121
<b>Surplus (deficit) for the year</b>	(5,326)	(4,680)
<b>Balance, beginning of year</b>	(37,294)	(32,614)
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<b>Balance, end of year</b>	\$ (42,620)	\$ (37,294)
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**Pasqua First Nation**  
**CMHC Housing (Section 95)**  
**Statement of Cash Flows**  
*For the year ended March 31, 2013*

	2013	2012 Restated
<b>Cash flows from (used in) operating activities</b>		
Surplus (deficit) for the year	\$ (5,326)	\$ (4,680)
Item not involving cash		
Amortization	221,749	134,236
Changes in non-cash operating items		
Restricted cash - operating reserve - bank	(3,134)	-
Subsidy receivable	(8,351)	(19,953)
Accounts payable and accrued liabilities	(11,625)	8,107
	193,313	117,710
<b>Cash flows from (used in) investing activities</b>		
Restricted cash - replacement reserve - bank	27,510	(6,026)
Restricted cash - replacement reserve - GICs	40,000	(306,525)
Purchase of houses	(979,303)	(1,942,862)
	(911,793)	(2,255,413)
<b>Cash flows from (used in) financing activities</b>		
Due to (from) Pasqua First Nation	(145,202)	406,726
Repayment of CMHC mortgages	(221,749)	(134,236)
Proceeds of long-term debt	979,303	1,942,862
Replacement reserve	60,123	36,244
Operating reserve - Post-1996	(4,613)	(17,121)
	667,862	2,234,475
<b>(Decrease) increase in cash</b>	(50,618)	96,772
<b>Cash, beginning of year</b>	138,542	41,770
<b>Cash, end of year</b>	\$ 87,924	\$ 138,542
<b>Cash consists of:</b>		
Cash	\$ 87,924	\$ 138,542
	\$ 87,924	\$ 138,542

**1. Significant accounting policies**

The financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the reporting requirements of the CMHC funding agreements. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles.

**(a) Houses**

Houses are reported on the balance sheet at the same value as the outstanding mortgage liabilities. This has the effect of reducing the carrying value of the houses and the corresponding band equity to zero over the amortization of each phase.

**(b) Replacement reserve fund**

A replacement reserve fund has been established for replacement of capital equipment and for major repairs to houses. The reserve is credited annually in amounts approved by CMHC until the reserve accumulates to the amount specified in the agreements. Any applicable expense is charged against the reserve. Interest income attributable to this reserve fund is credited directly to the replacement reserve fund. Separate reserve funds are maintained for Pre-1997 projects and Post-1996 projects.

**(c) Subsidy surplus fund – Pre-1997 projects**

If a project has a surplus, a maximum of \$500 per house may be charged to operations and reserved for future operating losses.

**(d) Operating reserve fund – Post-1996 projects**

Any operating surpluses are retained in an operating reserve fund, which can be used to recover future operating deficits.

**(e) Long-term debt**

Loan payments including principle and interest are charged to current operations. The principle reduction is reflected on the balance sheet as a reduction in the loans payable balance with a corresponding increase in band equity.

**(f) Economic dependence**

The projects' capacity to make loan payments is dependent upon CMHC subsidies.

**Pasqua First Nation**  
**CMHC Housing (Section 95)**  
**Notes to Financial Statements**  
*For the year ended March 31, 2013*

**2. CMHC mortgages**

	Maturity date	Interest rate	Blended monthly payments	2013	2012	
1	Peace Hills Trust	01/10/2013	6.95%	\$ 3,061	\$ 171,012	\$ 195,330
2	Peace Hills Trust	01/03/2017	5.24%	1,645	71,540	87,215
3	Peace Hills Trust	01/04/2013	7.19%	1,605	82,448	95,475
4	CMHC	01/06/2015	2.76%	667	51,034	57,560
5	CMHC	01/06/2015	2.76%	706	54,054	60,967
6	CMHC	01/08/2015	2.69%	1,741	218,457	233,343
7	CMHC	01/09/2017	1.71%	997	152,982	161,672
8	CMHC	01/03/2018	1.62%	1,074	171,030	179,702
9	CMHC	01/02/2015	2.65%	1,392	227,433	238,045
10	CMHC	01/06/2016	2.63%	3,955	523,707	557,126
11	CMHC	01/06/2016	2.37%	5,832	1,042,425	1,074,059
12	CMHC	01/06/2017	1.65%	1,835	363,684	278,848
13	CMHC	01/06/2017	1.65%	3,669	727,474	589,955
14	CMHC			-	709,571	-
				4,566,851	3,809,297	
Less current portion				241,721	174,317	
				<b>\$ 4,325,130</b>	<b>\$ 3,634,980</b>	

**3. Prior period adjustment**

The comparative figures have been retroactively restated to reflect the balances as reported in the CMHC audit review letter.

**4. Capital funds**

The balance sheet includes the following capital items:

	2013	2012
Assets	\$ 4,566,851	\$ 3,809,297
Liabilities		
Current portion of mortgages	(241,721)	(174,317)
Mortgages payable	(4,325,130)	(3,634,980)
	<b>\$ -</b>	<b>\$ -</b>



**Pasqua First Nation**  
**CMHC Housing (Section 95)**  
**Notes to Financial Statements**  
*For the year ended March 31, 2013*

5. Reserve funds

**Replacement reserve fund - Pre-1997 (phases 1 - 3)**

	2013	2012
<b>Balance, start of the year</b>	\$ 81,337	\$ 90,333
Allocation for the year	8,160	8,160
Interest earned	2,648	1,725
Replacements for the year	(15,610)	(18,881)
<b>Balance, end of the year</b>	<b>\$ 76,535</b>	<b>\$ 81,337</b>

**Replacement reserve fund Post-1996 (phases 4 - 10)**

	2013	2012
<b>Balance, start of the year</b>	\$ 321,636	\$ 276,396
Adjustment	-	1,000
Allocation for the year	59,520	46,520
Interest earned	9,155	4,262
Replacements for the year	(3,749)	(6,542)
<b>Balance, end of the year</b>	<b>\$ 386,562</b>	<b>\$ 321,636</b>

**Operating reserve fund - Post-1996 (phases 4 - 10)**

	2013	2012
<b>Balance, start of the year</b>	\$ 149,569	\$ 166,690
Transfer from operations - adjustment	-	(4,613)
Transfer from (to) operations - current year	19,087	(12,508)
<b>Balance, end of the year</b>	<b>\$ 168,656</b>	<b>\$ 149,569</b>

**Operating deficit (phases 1 - 3)**

	2013	2012
<b>Balance, start of the year</b>	(38,164)	(32,614)
Adjustment	-	870
Surplus (deficit) for the year	(5,326)	(5,550)
<b>Balance, end of the year</b>	<b>\$ (43,490)</b>	<b>\$ (37,294)</b>

**Pasqua First Nation**  
**CMHC Housing (Section 95)**  
**Notes to Financial Statements**  
*For the year ended March 31, 2013*

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**6. Funding of reserves**

	Reserve Amount	Funded Amount	Underfunded Amount
Replacement reserve	\$ 463,096	\$ 334,463	\$ 128,633
Operating reserve	144,956	140,506	4,450
	\$ 608,052	\$ 474,969	\$ 133,083

**7. Due from (to) Pasqua First Nation**

The due from (to) Pasqua First Nation account is comprised of amounts paid by the First Nation on behalf of CMHC operations such as mortgage payments, repairs and maintenance and insurance premiums. It also includes amounts owed by the First Nation to CMHC operations for shortfalls in rent as outlined in the CMHC operating agreement.

**8. Calculation of rent**

In the current year rent has not been calculated according to the operating agreements. The Pre-1997 program requires income testing to be completed in order to calculate rental amounts. This requirement has not been completed.

Shortfall in rent in the amount of \$121,963 (2012 - \$86,359) not collected from tenants has been recorded as receivable from the First Nation.

Schedule 1  
**Pasqua First Nation**  
**CMHC Housing (Section 95)**  
**Schedule of Operations - Pre-1997 Projects**  
*For the year ended March 31, 2013*

	2013	2012 Restated
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<b>Revenue</b>		
Rental income	\$ 76,092	\$ 73,236
Rental subsidy	46,887	46,962
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	122,979	120,198
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<b>Expenditures</b>		
Administration fees	6,120	6,120
Insurance premiums	11,573	17,998
Mortgage payments	75,733	76,330
Professional fees	2,499	2,499
Repairs and maintenance	24,220	13,771
Replacement reserve allocation	8,160	8,160
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	128,305	124,878
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<b>Surplus (deficit) for the year</b>	<b>\$ (5,326)</b>	<b>\$ (4,680)</b>
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Schedule 2  
**Pasqua First Nation**  
**CMHC Housing (Section 95)**  
**Schedule of Operations - Post-1996 Projects**  
*For the year ended March 31, 2013*

	2013	2012 Restated
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<b>Revenue</b>		
Rental income	\$ 182,586	\$ 145,476
Rental subsidy	259,115	185,260
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	441,701	330,736
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<b>Expenditures</b>		
Administration fees	28,075	22,125
Insurance premiums	36,892	42,618
Mortgage payments	249,418	184,966
Professional fees	7,983	5,608
Repairs and maintenance	40,726	45,020
Replacement reserve allocation	59,520	47,520
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	422,614	347,857
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<b>Surplus (deficit) for the year from operations</b>	19,087	(17,121)
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<b>Transfer from (to) operating reserve fund - Post-1996</b>	(19,087)	17,121
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<b>Surplus (deficit) for the year</b>	\$ -	\$ -
<hr/>		