

**Pasqua First Nation**  
**(CMHC Housing (Section 95))**  
**Financial Statements**  
*March 31, 2019*

**Pasqua First Nation**  
**(CMHC Housing (Section 95))**  
**Index**  
*For the year ended March 31, 2019*

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## MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Pasqua First Nation:

The accompanying financial statements of Pasqua First Nation (CMHC Housing (Section 95)) are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with the funding agreements between Pasqua First Nation and Canada Mortgage and Housing Corporation (CMHC). 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.

Chief and Council is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial statements. Chief and Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

Chalupiak & Associates CPA Professional Corporation, an independent firm of Chartered Professional Accountants, is appointed by Chief and Council to audit the financial statements and report directly to the Members; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Chief and Council and management to discuss their audit findings.

  
Pasqua First Nation

Date: July 26, 2019



**Chalupiak & Associates CPA Professional Corporation**

Chartered Professional Accountants  
3261 Saskatchewan Drive  
Regina, Saskatchewan S4T 6S4  
Phone: 306-359-3711 Fax: 306-569-3030

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**INDEPENDENT AUDITORS' REPORT**

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To the Members of Pasqua First Nation

***Opinion***

We have audited the financial statements of Pasqua First Nation (CMHC Housing (Section 95)) (the "Entity"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pasqua First Nation (CMHC Housing (Section 95)) as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with the funding agreements between Pasqua First Nation and Canada Mortgage and Housing Corporation (CMHC).

***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Emphasis of Matter - Basis of Accounting and Restriction on Use***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Entity to comply with the funding agreements between Pasqua First Nation and Canada Mortgage and Housing Corporation (CMHC). As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter. Our report is intended solely for the members of Pasqua First Nation and CMHC and should not be used by parties other than members of Pasqua First Nation and CMHC.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the funding agreements between Pasqua First Nation and Canada Mortgage and Housing Corporation (CMHC), 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

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## INDEPENDENT AUDITORS' REPORT, continued

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit 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.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ♦ Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

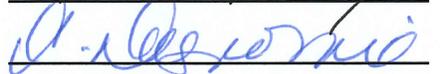
Regina, Saskatchewan  
July 26, 2019

*Chalupiak & Associates*  
Chalupiak & Associates

**Pasqua First Nation**  
**(CMHC Housing (Section 95))**  
**Statement of Financial Position**  
*March 31, 2019*

	2019	2018
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ -	\$ 207,263
Restricted cash - note 8	855,122	835,539
Accounts receivable - note 2	66,282	61,884
	921,404	1,104,686
<b>Houses</b> - notes 1.b and 3	8,904,834	8,450,144
	\$ 9,826,238	\$ 9,554,830
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness	\$ 1,512	\$ -
Accounts payable and accrued liabilities - note 4	91,155	48,335
Current portion of CMHC mortgages - note 5	614,898	569,675
	707,565	618,010
<b>Long-term liabilities</b>		
Due to Pasqua First Nation - note 6	149,156	379,755
CMHC mortgages - note 5	8,279,681	7,872,726
<b>Reserves</b>		
Replacement reserve - note 7	780,187	785,493
Operating reserve - Post-1996 - note 7	(90,351)	(74,829)
	689,836	710,664
Operating deficit - pre-1997 - notes 7 and 10	-	(26,325)
	\$ 9,826,238	\$ 9,554,830

Approved on behalf of the First Nation:

**Pasqua First Nation**  
**(CMHC Housing (Section 95))**  
**Statement of Operations**  
**and Changes in Net Assets**  
*For the year ended March 31, 2019*

	2019	2018
<b>Revenues</b>		
CMHC subsidies	\$ 752,089	\$ 615,062
Rental revenue	343,698	248,220
Band contribution - notes 1.h and 6	15,598	70,575
Rent revenue shortfall - note 6	19,700	109,412
Other revenue	2,100	-
	<u>1,133,185</u>	<u>1,043,269</u>
<b>Expenditures</b>		
Administration fees	62,442	57,542
Amortization	589,631	504,211
Insurance premiums	114,092	113,188
Loan interest	150,768	118,207
Professional fees	20,236	18,212
Repairs and maintenance	96,558	200,254
Replacement reserve	114,980	109,747
	<u>1,148,707</u>	<u>1,121,361</u>
<b>Surplus (deficit) for the year from operations</b>	(15,522)	(78,092)
Transfer deficit to Pasqua for matured housing units Pre 1997	26,325	-
<b>Surplus (deficit) before transfer from (to) operating reserve fund - post-1996</b>	10,803	(78,092)
Transfer from (to) operating reserve fund - Post-1996	15,522	78,092
<b>Surplus (deficit)</b>	26,325	-
<b>Balance, beginning of year</b>	(26,325)	(26,325)
<b>Balance, end of year</b>	\$ -	\$ (26,325)

**Pasqua First Nation**  
**(CMHC Housing (Section 95))**  
**Statement of Cash Flows**  
*For the year ended March 31, 2019*

	2019	2018
<b>Cash flows from (used in) operating activities</b>		
Surplus (deficit)	\$ 26,325	\$ -
Item not involving cash		
Amortization	589,631	504,211
Changes in non-cash operating items		
Accounts receivable	(4,398)	86,714
Accounts payable and accrued liabilities	42,819	38,337
Deferred revenue	-	(154,112)
	654,377	475,150
<b>Cash flows from (used in) investing activities</b>		
Restricted cash	(19,583)	(18,154)
Purchase of houses	(1,044,320)	(1,599,000)
	(1,063,903)	(1,617,154)
<b>Cash flows from (used in) financing activities</b>		
Due to (from) Pasqua First Nation	(230,599)	230,518
Repayment of CMHC mortgages	(592,142)	(504,213)
Proceeds of CMHC mortgages	1,044,320	1,599,000
Replacement reserve	(5,306)	14,321
Operating reserve - Post-1996	(15,522)	(77,494)
	200,751	1,262,132
<b>(Decrease) increase in cash</b>	(208,775)	120,128
<b>Cash, beginning of year</b>	207,263	87,135
<b>(Bank indebtedness) cash, end of year</b>	\$ (1,512)	\$ 207,263

**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) Revenue and expenses**

Revenue and expenses are recorded according to the accrual basis of accounting.

**(b) 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. The reduction in band equity (which is equal to the principal reduction in mortgages) is recorded as "amortization" expense.

**(c) Replacement reserve fund - Pre-1997 and Post-1996 projects**

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.

**(d) 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.

**(e) 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.

**(f) Long-term debt**

Loan payments including principle and interest are charged to current operations. The principle reduction is recorded as amortization expenses.

**(g) Economic dependence**

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

**(h) Band contribution**

The First Nation is required to make a financial contribution to the CMHC program, if necessary, to bring the program to a break-even position if revenues have not been sufficient to cover expenditures.

**Pasqua First Nation**  
**(CMHC Housing (Section 95))**  
**Notes to Financial Statements**  
*For the year ended March 31, 2019*

**1. Significant accounting policies, continued**

**(i) Prior year's figures**

Prior year's figures have been restated, where applicable, to conform to current year's presentation.

**2. Accounts receivable**

	2019	2018
Subsidy receivable	\$ 65,352	\$ 60,992
Rent receivable	691	892
Other	239	-
	\$ 66,282	\$ 61,884

**3. Houses**

	2019		2018	
	Cost	Accumulated amortization	Net	Net
CMHC housing assets	\$ 13,310,398	\$ 4,405,564	\$ 8,904,834	\$ 8,450,144

**4. Accounts payable and accrued liabilities**

	2019	2018
Trade payables	\$ 77,617	\$ 36,448
Accrued mortgage interest	13,538	11,887
	\$ 91,155	\$ 48,335

**Pasqua First Nation**  
**(CMHC Housing (Section 95))**  
**Notes to Financial Statements**  
*For the year ended March 31, 2019*

**5. CMHC mortgages**

		Renewal date	Interest rate		Blended monthly payments	2019	2018
1	Peace Hills Trust	01/10/2018	5.34%	\$	2,948 \$	- \$	20,379
3	Peace Hills Trust	01/04/2018	5.14%		1,530	-	1,460
4	CMHC	01/03/2020	1.39%	\$	646	7,693	15,277
5	CMHC	01/03/2020	1.39%		684	8,147	16,181
6	CMHC	01/08/2020	1.08%		1,612	116,879	134,861
7	CMHC	01/09/2022	1.84%		1,003	93,786	103,998
8	CMHC	01/04/2023	2.41%		1,115	107,355	118,063
9	CMHC	01/02/2020	1.12%		1,249	152,885	166,088
10	CMHC	01/06/2021	1.14%		3,687	297,519	338,122
11	CMHC	01/06/2021	1.14%		5,336	736,446	791,755
12	CMHC	01/06/2022	1.30%		1,787	260,938	278,872
13	CMHC	01/06/2022	1.30%		3,575	521,969	557,845
14	CMHC	01/01/2019	2.11%		8,576	1,660,110	1,727,228
15	CMHC	01/08/2019	1.85%		1,041	212,082	220,576
16	CMHC	01/05/2021	1.21%		9,312	1,263,832	1,359,692
17	CMHC	01/05/2021	1.21%		5,401	733,080	788,683
18	CMHC	01/06/2021	1.14%		1,385	189,951	204,321
19	CMHC	01/03/2023	2.39%		10,571	1,509,215	1,599,000
20	CMHC	01/10/2023	2.68%		3,913	566,799	-
21	CMHC	01/10/2023	2.68%		3,147	455,893	-
						8,894,579	8,442,401
<u>Less current portion</u>						<u>614,898</u>	<u>569,675</u>
<u>Due beyond one year</u>						<u>\$ 8,279,681</u>	<u>\$ 7,872,726</u>

**Pasqua First Nation**  
**(CMHC Housing (Section 95))**  
**Notes to Financial Statements**  
*For the year ended March 31, 2019*

**6. Due to/from Pasqua First Nation**

The "Due to/from 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.

In 2019 the band contribution is \$15,598 (2018 - \$70,575); the rent shortfall is \$19,700 (2018 - \$109,412).

**7. Reserve funds**

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

	2019	2018
Balance, start of the year	\$ 38,405	\$ 68,860
Allocation for the year	2,160	5,760
Interest earned	2,269	2,269
Replacements for the year	(32,289)	(11,050)
Maturing unit adjustment	(10,545)	(27,434)
Balance, end of the year	\$ -	\$ 38,405

Replacement reserve fund - Post - 1996 (phases 4-21)

	2019	2018
Balance, start of the year	\$ 747,087	\$ 702,310
Allocation for the year	112,820	103,987
Interest earned	17,330	15,845
Replacements for the year	(97,050)	(75,055)
Balance, end of the year	\$ 780,187	\$ 747,087

Operating reserve fund - Post - 1996 (phases 4-21)

	2019	2018
Balance, start of the year	\$ (74,829)	\$ 2,665
Interest	-	-
Transfer from operations - adjustment	-	598
Transfer from (to) operations - current year	(15,522)	(78,092)
Balance, end of the year	\$ (90,351)	\$ (74,829)

**Pasqua First Nation**  
**(CMHC Housing (Section 95))**  
**Notes to Financial Statements**  
*For the year ended March 31, 2019*

**7. Reserve funds, continued**

Operating deficit (phases 1 & 3)

	2019	2018
Balance, start of the year	\$ (26,325)	\$ (26,325)
Maturing unit adjustment	26,325	-
Balance, end of the year	\$ -	\$ (26,325)

**8. Funding of reserves**

Under the terms of the agreement with CMHC, reserve funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The reserves are funded as follows:

		Reserve Amount		Funded Amount	Over (Under) Funded
Replacement reserve - pre - 1997	\$	-	\$	56,694	\$ 56,694
Replacement reserve - post - 1996		780,187		782,396	2,209
Operating reserve - post - 1996		(90,351)		16,032	106,383
	\$	689,836	\$	855,122	\$ 165,286

**9. Compliance with CMHC operating agreements**

The operating agreements require confirmation that the First Nation has complied with certain aspects of the operating agreements.

Pre – 1997 agreements

Replacement reserve (paragraph 15)

The First Nation has complied with the requirements except that the replacement reserve funds for the Pre – 1997 and Post - 1996 projects have been co-mingled in the same bank account and is fully funded.

Subsidy surplus reserve (sub-paragraph 2 (5))

The First Nation has complied with the requirements.

Verifications of income and rent calculations (sub-paragraph 2 (5))

The First Nation has not been successful in its attempts to complete verifications of income and calculate monthly rent in accordance with the agreement for all tenants.

**9. Compliance with CMHC operating agreements, continued**

Post – 1996 agreements

Operating reserve (Paragraph 10 (2) (g))

The First Nation has complied with the requirements.

Replacement reserve (paragraph 10 (2) (e))

The First Nation has complied with the requirements except that the replacement reserve funds for the Pre – 1997 and Post - 1996 projects have been co-mingled in the same bank account and is fully funded.

Disbursements from the replacement reserve fund (paragraph 10 (2) (f))

The First Nation has complied with the requirements in regards to the disbursements from the replacement reserve fund.

**10. Operating Deficit**

	2019	2018
Operating Deficit - Pre-1997	\$ -	\$ (26,325)

**11. Prior period adjustment**

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

Schedule 1  
**Pasqua First Nation**  
**(CMHC Housing (Section 95))**  
**Schedule of Operations - Pre-1997 Projects**  
*For the year ended March 31, 2019*

	2019	2018
<b>Revenue</b>		
CMHC subsidies	\$ 10,809	\$ 33,600
Rental income	14,400	30,616
Band contribution - notes 1.h and 3	15,598	70,575
	40,807	134,791
<b>Expenditures</b>		
Administration fees	1,594	4,020
Amortization	21,839	51,358
Insurance premiums	5,260	15,350
Loan Interest	167	2,476
Professional fees	2,024	2,024
Repairs and maintenance	7,763	53,803
Replacement reserve allocation	2,160	5,760
	40,807	134,791
<b>Surplus (deficit) for the year</b>	<b>\$ -</b>	<b>\$ -</b>

Schedule 2  
**Pasqua First Nation**  
**(CMHC Housing (Section 95))**  
**Schedule of Operations - Post-1996 Projects**  
*For the year ended March 31, 2019*

	2019	2018
<b>Revenue</b>		
CMHC subsidies	\$ 741,280	\$ 581,462
Rental revenue	329,298	217,604
Rent revenue shortfall - note 6	19,700	109,412
Other revenue	2,100	-
	<b>1,092,378</b>	<b>908,478</b>
<b>Expenditures</b>		
Administration fees	60,848	53,522
Amortization	567,792	452,853
Insurance premiums	108,832	97,838
Loan interest	150,601	115,731
Professional fees	18,212	16,188
Repairs and maintenance	88,795	146,451
Replacement reserve allocation	112,820	103,987
	<b>1,107,900</b>	<b>986,570</b>
<b>Surplus (deficit) for the year from operations</b>	<b>(15,522)</b>	<b>(78,092)</b>
<b>Transfer from (to) operating reserve fund - Post-1996</b>	<b>15,522</b>	<b>78,092</b>
<b>Surplus (deficit) for the year</b>	<b>\$ -</b>	<b>\$ -</b>