

**PASQUA FIRST NATION
CMHC HOUSING (SECTION 95)
FINANCIAL STATEMENTS**
March 31, 2017

PASQUA FIRST NATION CMHC HOUSING (SECTION 95)
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MARCH 31, 2017

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MANAGEMENT'S RESPONSIBILITY

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 accounting principles as required by Canada Mortgage and Housing Corporation. 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 First Nation's Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

MNP LLP ("MNP"), an independent firm of Chartered Professional Accountants, is appointed by Council to audit the financial statements and report directly to the Members of Pasqua First Nation; their report follows. The external auditors have full and free access to, and may meet periodically and separately with, both the Council and management to discuss their audit findings.

August 31, 2017

" Original signed by management"

INDEPENDENT AUDITORS' REPORT



To the Members of Pasqua First Nation and CMHC:

We have audited the accompanying financial statements of Pasqua First Nation CMHC Housing (Section 95), which comprise the balance sheet as at March 31, 2017 and the related statements of operations and deficit, cash flows, and schedule of reserves for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of Pasqua First Nations based on the funding agreements between Pasqua First Nation CMHC Housing (Section 95) and Canada Mortgage and Housing Corporation (CMHC).

Management's Responsibility for Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the funding agreements between Pasqua First Nation CMHC Housing (Section 95) and 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.

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 of 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 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 the audit evidence 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 Pasqua First Nation CMHC Housing (Section 95) as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting requirements of the funding agreements between Pasqua First Nation CMHC Housing (Section 95) and CMHC.

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 assist Pasqua First Nation CMHC Housing (Section 95) to comply with the reporting requirements of the funding agreements referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Members of Pasqua First Nations and CMHC and should not be used by parties other than the Members of Pasqua First Nation and CMHC.

Report on Other Agreement Obligations

We verify that income verifications are not performed for the pre-97 program. A financial contribution from the First Nations was required to cover program expenses. The replacement and operating reserve are maintained in interest bearing accounts as required by the operating agreements and are fully funded.

Other Matter

The financial statements of Pasqua First Nation CMHC Housing (Section 95) for the year ended March 31, 2016, were audited by another auditor who expressed an unqualified opinion in their report which was dated July 29, 2016.

Regina, Saskatchewan
August 31, 2017

MNP LLP

Chartered Professional Accountants



PASQUA FIRST NATION CMHC HOUSING (SECTION 95)
BALANCE SHEET
MARCH 31, 2017

	2017	2016
<u>ASSETS</u>		
Current		
Cash	\$ 87,135	\$ 14,447
CMHC subsidy receivable	50,482	35,491
Retrofit initiative receivable (Note 3)	98,115	-
Replacement reserve fund - bank	25,320	9,728
Replacement reserve fund - GICs - current (Note 4)	183,975	-
Operating reserve fund - bank	9,668	6,073
	454,695	65,739
Replacement reserve fund - GICs - long-term (Note 4)	598,421	782,395
Houses (Note 5)	7,355,357	5,189,592
	\$ 8,408,473	\$ 6,037,726
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	10,000	15,178
Due to Pasqua First Nations (Note 2)	179,377	151,788
Deferred retrofit initiative	154,112	-
CMHC Mortgages - current portion (Note 6)	502,675	343,494
	846,164	510,460
CMHC Mortgages (Note 6)	6,844,939	4,846,098
	7,691,103	5,356,558
<u>RESERVES</u>		
Replacement reserve fund (Schedule)	770,402	714,802
Operating reserve fund (Schedule)	-	3,660
	770,401	718,462
<u>DEFICIENCY</u>		
Deficit	(53,031)	(37,294)
	\$ 8,408,473	\$ 6,037,726

See accompanying notes to financial statements.

Approved on behalf of Council

"Original signed by Chief and Council"

PASQUA FIRST NATION CMHC HOUSING (SECTION 95)
STATEMENT OF OPERATIONS AND DEFICIT
YEAR ENDED MARCH 31, 2017

	2017			2016
	Pre	Post	Total	Total
Revenue				
CMHC subsidy	\$ 43,471	555,678	599,149	\$ 426,495
Rent collected	42,438	152,196	194,634	221,402
Minimum Rent Charged adjustment	-	166,450	166,450	85,182
Contribution from Pasqua First Nation (Note 2)	124,983	-	124,983	48,582
Retrofit initiative (Note 3)	183,339	-	183,339	-
Retrofit initiative - deferred	(154,112)	-	(154,112)	-
Other	13	65	78	-
Total revenue	240,132	874,389	1,114,521	781,661
Expenditures				
Mortgage	73,549	526,746	600,294	448,278
Repairs and maintenance	98,702	105,703	204,405	168,764
Retrofit initiative	29,227	-	29,227	-
Replacement reserve	7,960	101,520	109,480	91,080
Insurance	21,714	98,828	120,542	88,860
Administration	5,945	52,009	57,954	48,070
Professional fees	3,036	12,141	15,177	15,177
Total expenditures	240,132	896,947	1,137,079	860,229
Current deficit before transfer from operating reserve	-	(22,558)	(22,558)	(78,568)
Transfer from operating reserve fund	-	6,821	6,821	78,568
Current deficit	-	(15,737)	(15,737)	-
Deficit, beginning of year	(37,294)	-	(37,294)	(37,294)
Deficit, end of year	\$ (37,294)	(15,737)	(53,031)	\$ (37,294)

See accompanying notes to financial statements.

PASQUA FIRST NATION CMHC HOUSING (SECTION 95)
STATEMENT OF CASH FLOWS - OPERATING FUND
MARCH 31, 2017

	2017	2016
Operating activities		
Current deficit	\$ (15,737)	-
Transfer to replacement reserve fund	109,480	91,080
Interest transferred to the replacement reserve fund	15,686	8,925
Payout of Phase II from the replacement reserve fund	(29,463)	-
Transfer from operating reserve fund	(6,821)	(78,568)
Interest transferred to the operating reserve fund	3,161	-
	76,306	21,437
Changes in working capital accounts		
CMHC subsidy receivable	(14,991)	1,223
Retrofit initiative receivable	(98,115)	-
Accounts payable and accrued liabilities	(5,179)	161
Deferred retrofit initiative	154,112	-
Cash provided by operating activities	112,133	22,821
Financing activities		
Advances of CMHC mortgages	2,647,924	12,825
Increase in due to Pasqua First Nation	27,589	308,431
	2,675,513	321,256
Investing activities		
Purchases of houses	(2,655,667)	(12,825)
Interest earned on replacement reserve fund and GICs	(15,686)	(8,925)
Withdrawals (deposits) from (in) replacement reserve bank and GICs	93	(337,409)
Replacement reserve expenditures	(40,103)	(12,694)
Interest earned on operating reserve bank	(3,161)	-
(Deposits) withdrawals (in) from operating reserve bank	(434)	31,741
	(2,714,958)	(340,112)
Increase in cash	72,688	3,965
Cash, beginning of year	14,447	10,482
Cash, end of year	\$ 87,135	14,447

See accompanying notes to financial statements.

PASQUA FIRST NATION CMHC HOUSING (SECTION 95)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

DESCRIPTION OF REPORTING ENTITY

Pasqua First Nation CMHC Housing (Section 95) provides assisted rental housing to members of Pasqua First Nation. Pasqua First Nation CMHC Housing (Section 95) presently operates 98 (2016 - 86) units.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the reporting requirements of the funding agreements with CMHC, and include the following significant accounting policies:

(a) Basis of Presentation

These financial statements include only the operations of Pasqua First Nation CMHC Housing (Section 95) that are funded by CMHC and are administered by Pasqua First Nations. They do not include revenue, expenditures, assets or liabilities related to other operations of the Pasqua First Nations.

Sources of financing and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as they become receivable and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

(b) Houses

Houses are recorded at cost less accumulated amortization on the balance sheet. Amortization is recorded commencing in the year CMHC subsidy is received. This has the effect of reducing the carrying value of the houses and the corresponding capital equity to zero over the amortization of each phase. The amortization is equal to the principal reduction in mortgages.

(c) Replacement Reserve Fund

A replacement reserve has been established for replacement of capital equipment and for major repairs to the houses. Pursuant to CMHC agreements, operating provisions of \$40 per unit per month are made for phases I through III, \$90 for phases IV through VI, \$105 for phase VII through X, and \$100 for phase XI through XVII. Any applicable expenditure is charged against the reserve.

Interest income attributable to this fund is credited directly to the replacement reserve fund.

PASQUA FIRST NATION CMHC HOUSING (SECTION 95)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(d) Operating Fund Reserve

For phases IV through XVIII (post 1997 - fixed subsidy program), after the payment of all costs and expenses, any surplus revenue is to be retained within an operating reserve fund.

Future years' deficits may be recovered from the operating reserve fund. Interest income attributable to the fund is credited directly to the operating reserve fund.

(e) Loan Payments

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

(f) Use of Estimates

The preparation of financial statements 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. 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.

2. DUE TO PASQUA FIRST NATION

Amounts payable to Pasqua First Nation, which is related through common control, are unsecured, non-interest bearing and with no fixed repayment terms. Transactions with Pasqua First Nations were conducted 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. The due to/from Pasqua First Nation account is comprised of amounts paid by Pasqua First Nation on behalf of Pasqua First Nation CMHC Housing (Section 95) such as mortgage payments, repairs and maintenance, and insurance premiums.

Rent receivable under CMHC operating agreements is due from the First Nation if it is not collected from the members.

The First Nation is required to make a financial contribution to the CMHC program for the pre-1997 projects, if necessary, to bring the program to a break-even position if revenue has not been sufficient to cover expenditures.

3. RETROFIT INITIATIVE

Retrofit initiative receivable does not reconcile to the confirmed amount from CMHC as the uncollected portion of funding relating to Phase II (\$37,125) was transferred to the First Nation on March 1, 2017 upon pay out of the loan.

Retrofit initiative revenue does not reconcile to the confirmed amount from CMHC as only the expended portion of funding allocated to Phase II was recognized in the year (\$10,089), with the difference being transferred to the First Nation on March 31, 2017 upon pay out of the loan (\$64,161).

**PASQUA FIRST NATION CMHC HOUSING (SECTION 95)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

4. REPLACEMENT RESERVE FUND - GICs

GICs have interest rates ranging between 1% and 2.75% and maturity dates ranging from March 13, 2018 to March 13, 2022.

5. HOUSES

Phase	2017		2016	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
I	646,473	592,601	53,872	85,645
II	-	-	-	19,350
III	342,025	322,700	19,325	36,307
IV	150,960	128,202	22,758	30,173
V	157,352	133,247	24,105	31,959
VI	477,002	324,353	152,649	170,407
VII	243,000	128,939	114,061	124,168
VIII	240,000	111,047	128,953	139,864
IX	462,626	283,482	179,144	192,242
X	879,586	501,319	378,267	418,160
XI	1,603,243	756,803	846,440	901,068
XII	441,273	144,813	296,460	313,895
XIII	872,139	279,114	593,025	627,894
XIV	2,283,135	490,044	1,793,091	1,860,980
XV	250,000	21,086	228,914	237,480
XVI	1,536,637	76,534	1,460,103	-
XVII	889,514	44,522	844,992	-
XVIII	229,516	10,318	219,198	-
	<u>11,704,481</u>	<u>4,349,124</u>	<u>7,355,357</u>	<u>5,189,592</u>

Amortization expense during the year was \$489,902 (2016 - \$335,475).

PASQUA FIRST NATION CMHC HOUSING (SECTION 95)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

6. LONG-TERM DEBT

The loans are secured by government guarantees and are repayable as follows:

<u>Phase</u>	<u>Loan Amount 2017</u>	<u>Loan Amount 2016</u>	<u>Monthly Payment Including Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
I	53,872	85,645	2,948	5.34%	November 1, 2018
II	-	19,350	1,645	5.24%	March 1, 2017
III	19,326	36,307	1,530	5.14%	April 1, 2018
IV	22,758	30,173	646	1.39%	March 1, 2020
V	24,105	31,959	648	1.39%	March 1, 2020
VI	152,649	170,407	1,612	1.08%	June 1, 2025
VII	114,061	124,168	997	1.71%	September 1, 2027
VIII	128,953	139,864	1,074	1.62%	March 1, 2028
IX	179,144	192,242	1,249	1.12%	January 1, 2030
X	378,267	418,160	3,687	1.14%	March 1, 2026
XI	846,440	901,068	5,336	1.14%	August 1, 2031
XII	296,460	313,895	1,835	1.65%	June 1, 2032
XIII	593,025	627,894	3,669	1.65%	June 1, 2032
XIV	1,793,091	1,860,980	8,576	2.11%	December 1, 2038
XV	228,914	237,480	1,041	1.85%	August 1, 2039
XVI	1,454,402	-	9,312	1.21%	June 1, 2031
XVII	843,619	-	5,401	1.21%	June 1, 2031
XVIII	218,528	-	1,385	1.14%	June 1, 2031
XIX					
	<u>\$ 7,347,614</u>	<u>5,189,592</u>	<u>52,590</u>		
Current Portion	<u>(502,675)</u>	<u>(343,494)</u>			
	<u>\$ 6,844,939</u>	<u>\$ 4,846,098</u>			

Expected principal repayment (assuming renewal at similar rates and terms) for the next five years are as follows:

2018	502,675
2019	480,085
2020	464,467
2021	454,991
2022	461,452

**PASQUA FIRST NATION CMHC HOUSING (SECTION 95)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

7. CONTINGENT LIABILITIES

These financial statements are subject to review by CMHC. It is possible that adjustments could be made based on the results of their review.

8. FUNDING OF RESERVES

At March 31, 2017 the replacement reserve fund is over-funded by \$37,314 (2016 - over-funded by \$77,322), the operating reserve fund is over-funded by \$9,668 (2016 - over-funded by \$2,413).

9. ECONOMIC DEPENDENCE

Pasqua First Nation CMHC Housing (Section 95) is economically dependent on the subsidy it receives from Canada Mortgage and Housing Corporation, as well as the rent revenue it receives from Pasqua First Nation. Continued receipt of the subsidies from CMHC is dependent upon the Projects being managed and operated within the terms and conditions of the operating agreements that have been made with CMHC.

10. CAPITAL DISCLOSURE

The Organization does not have a formal capital management policy. Canada Mortgage and Housing Corporation requires the Program's capital to be used for on reserve housing.

11. RELATED PARTY TRANSACTIONS

The Authority had the following transactions with Pasqua First Nation:

Rent paid by Pasqua First Nation on behalf of members	\$	194,634
Administration fee paid to Pasqua First Nation	\$	(53,237)
Contribution from Pasqua First Nation for shortfall of rent in Post-Portfolio phases	\$	166,450
CMHC retrofit items expensed through the Pasqua First Nation	\$	(29,227)
Insurance paid by Pasqua First Nation	\$	(120,542)
Repairs and maintenance paid by Pasqua First Nation	\$	(194,403)
Transfer of Phase II replacement reserve balance to Pasqua First Nation	\$	(29,463)

These transactions are recorded at the exchange amounts, which is the amount agreed to by the related parties. The Pasqua First Nation is related by common ownership.

12. SUBSEQUENT EVENTS

Pasqua First Nation CMHC Housing has been approved for 5 housing units in Phase 20 on March 23, 2017. CMHC has approved a loan of \$975,000 to fund the construction of the units. Construction has not begun on these units and no funds have been advanced as of March 31, 2017.

**PASQUA FIRST NATIONS C.M.H.C. HOUSING
SCHEDULE OF RESERVE FUNDS
MARCH 31, 2017**

Replacement Reserve Fund

Phase	Balance, Beginning of Year	Interest	Provision	Expenditures	Adjustments	Balance, End of Year
I	\$ 38,444	844	3,360	-	-	42,648
II	27,460	602	2,200	(799)	(29,463)	-
III	27,460	603	2,400	(5,018)	-	25,445
IV	14,452	317	2,160	-	-	16,929
V	14,452	317	2,160	-	-	16,929
VI	43,356	952	6,480	(3,260)	-	47,528
VII	28,904	634	5,040	(16,717)	-	17,861
VIII	28,904	634	5,040	(4,093)	-	30,485
IX	36,130	793	6,300	(2,423)	-	40,800
X	65,034	1,427	11,340	(4,998)	-	72,803
XI	72,261	1,586	12,000	(599)	-	85,248
XII	21,678	476	3,600	-	-	25,754
XIII	43,356	951	7,200	-	-	51,507
XIV	115,617	2,537	19,200	(2,196)	-	135,158
XV	14,452	317	2,400	-	-	17,169
XVI	72,260	1,586	11,000	-	-	84,846
XVII	43,356	951	6,600	-	-	50,907
XVIII	7,226	159	1,000	-	-	8,385
	<u>\$ 714,802</u>	<u>15,686</u>	<u>109,480</u>	<u>(40,103)</u>	<u>(29,463)</u>	<u>770,402</u>

Operating Reserve

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 3,660	82,228
Interest	3,161	-
Transfer from operating reserve	<u>(6,821)</u>	<u>(78,568)</u>
Balance, end of year	<u>\$ -</u>	<u>3,660</u>