

Pasqua First Nation
(CMHC Housing (Section 95))
Financial Statements
March 31, 2014

Pasqua First Nation
(CMHC Housing (Section 95))
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For the year ended March 31, 2014

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INDEPENDENT AUDITORS' 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, 2014, and the statements of operations and cash flows for the year then ended, and the summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of Pasqua First Nation based on the funding agreements, between the First Nation 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 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 that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of Pasqua First Nation CMHC Housing (Section 95) for the year ended March 31, 2014, are prepared, in all material respects, in accordance with the funding agreements between Pasqua First Nation and CMHC.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 1 of 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 provisions 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 Nation and CMHC and should not be used by parties other than members of Pasqua First Nation and CMHC.

Regina, Saskatchewan
July 29, 2014

Chalupiak & Associates

Pasqua First Nation
(CMHC Housing (Section 95))
Statement of Financial Position
March 31, 2014

	2014	2013
Assets		
Current assets		
Cash	\$ 13,288	\$ 87,924
Restricted cash - replacement reserve - bank - note 8	17,787	55,210
Restricted cash - operating reserve - bank	34,496	3,134
Restricted cash - reserves - GICs - note 8	416,625	416,625
Subsidy receivable	34,756	42,873
	516,952	605,766
Due from Pasqua First Nation - note 5	112,455	-
Houses - note 1.b	5,570,798	4,566,851
	\$ 6,200,205	\$ 5,172,617
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 12,138	\$ 10,482
Current portion of CMHC mortgages - note 2	317,020	241,721
	329,158	252,203
Long-term liabilities		
Due to Pasqua First Nation - note 5	-	5,927
CMHC mortgages - note 2	5,253,778	4,325,130
Reserves		
Replacement reserve - note 7	540,882	463,096
Operating reserve - Post-1996 - note 7	113,681	163,555
	654,563	626,651
Operating deficit - pre-1997	(37,294)	(37,294)
	\$ 6,200,205	\$ 5,172,617

Approved on behalf of the First Nation:

_____ Chief

_____ Councilor

Pasqua First Nation
(CMHC Housing (Section 95))
Statement of Operations
For the year ended March 31, 2014

	2014	2013 Restated
Revenues		
Rental revenue	\$ 270,408	\$ 258,678
CMHC subsidies	347,382	306,002
Band contribution	4,198	5,326
	621,988	570,006
Expenditures		
Administration fees	38,950	34,195
Amortization	248,272	221,749
Insurance premiums	60,520	48,465
Loan Interest	114,242	108,503
Professional fees	12,137	10,482
Repairs and maintenance	121,861	64,946
Replacement reserve	75,880	67,680
	671,862	556,020
Surplus (deficit) for the year from operations	(49,874)	13,986
Transfer from (to) operating reserve fund - Post-1996	49,874	(13,986)
Surplus (deficit) for the year	-	-
Balance, beginning of year	(37,294)	(37,294)
Balance, end of year	\$ (37,294)	\$ (37,294)

Pasqua First Nation
(CMHC Housing (Section 95))
Statement of Cash Flows
For the year ended March 31, 2014

	2014	2013 Restated
Cash flows from (used in) operating activities		
Surplus (deficit) for the year	\$ -	\$ -
Items not involving cash		
Amortization	248,272	221,749
Changes in non-cash operating items		
Restricted cash - operating reserve - bank	(31,362)	(3,134)
Subsidy receivable	8,117	(8,351)
Accounts payable and accrued liabilities	1,655	(11,625)
	226,682	198,639
Cash flows from (used in) investing activities		
Restricted cash - replacement reserve - bank	37,423	27,510
Restricted cash - replacement reserve - GICs	-	40,000
Purchase of houses	(1,252,218)	(979,303)
	(1,214,795)	(911,793)
Cash flows from (used in) financing activities		
Due to (from) Pasqua First Nation	(118,382)	(169,127)
Repayment of CMHC mortgages	1,003,947	757,554
Replacement reserve	77,786	60,123
Operating reserve - Post-1996	(49,874)	13,986
	913,477	662,536
Decrease in cash	(74,636)	(50,618)
Cash, beginning of year	87,924	138,542
Cash, end of year	\$ 13,288	\$ 87,924
Cash consists of:		
Cash	\$ 13,288	\$ 87,924
	\$ 13,288	\$ 87,924

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. Separate reserve funds are maintained for Pre-1997 projects and Post-1996 projects.

(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, 2014

2. CMHC mortgages

		Maturity date	Interest rate	Blended monthly payments	2014	2013
1	Peace Hills Trust	01/10/2018	5.34%	\$ 2,948	\$ 144,371	\$ 171,012
2	Peace Hills Trust	01/03/2017	5.24%	1,645	55,034	71,540
3	Peace Hills Trust	01/04/2018	5.14%	1,530	67,786	82,448
4	CMHC	01/06/2015	2.76%	667	44,329	51,034
5	CMHC	01/06/2015	2.76%	706	46,953	54,054
6	CMHC	01/08/2015	2.69%	1,741	203,181	218,457
7	CMHC	01/09/2017	1.71%	997	143,539	152,982
8	CMHC	01/03/2018	1.62%	1,074	160,807	171,030
9	CMHC	01/02/2015	2.65%	1,392	216,551	227,433
10	CMHC	01/06/2016	2.63%	3,955	489,432	523,707
11	CMHC	01/06/2016	2.37%	5,832	996,397	1,042,425
12	CMHC	01/06/2017	1.65%	1,835	347,079	363,684
13	CMHC	01/06/2017	1.65%	3,669	694,257	727,474
14	CMHC	01/01/2019	2.11%	8,576	1,861,431	709,571
15	CMHC	-	1.01%	-	99,651	-
					5,570,798	4,566,851
Less current portion					317,020	241,721
Due beyond one year					\$ 5,253,778	\$ 4,325,130

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 accounts:

	2014	2013
Houses	\$ 5,570,798	\$ 4,566,851
Liabilities	-	-
Current portion of mortgages	(317,020)	(241,721)
Mortgages payable	(5,253,778)	(4,325,130)
	\$ -	\$ -

5. 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.

6. 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 the replacement reserve is not fully funded.

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

The First Nation has complied with the requirements except that the subsidy is not fully funded.

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.

Post – 1996 agreements

Operating reserve (Paragraph 10 (2) g)

The First Nation has complied with the requirements except that the operating reserve fund is not maintained in a separate bank account and is not fully funded.

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 the replacement reserve is not 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.

Pasqua First Nation
(CMHC Housing (Section 95))
Notes to Financial Statements
For the year ended March 31, 2014

7. Reserve funds

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

	2014	2013
Balance, start of the year	\$ 76,535	\$ 81,337
Allocation for the year	8,160	8,160
Interest earned	2,333	2,648
Replacements for the year	(3,444)	(15,610)
Balance, end of the year	\$ 83,584	\$ 76,535

Replacement reserve fund - Post - 1996 (phases 4 - 14)

	2014	2013
Balance, start of the year	\$ 386,562	\$ 321,636
Allocation for the year	67,720	59,520
Interest earned	7,547	9,155
Replacements for the year	(4,531)	(3,749)
Balance, end of the year	\$ 457,298	\$ 386,562

Operating reserve fund - Post - 1996 (phases 4 - 14)

	2014	2013
Balance, start of the year	\$ 163,555	\$ 149,569
Transfer from (to) operations - current year	(49,874)	13,986
Balance, end of the year	\$ 113,681	\$ 163,555

Operating deficit (phases 1 - 3)

	2014	2013
Balance, start of the year	(37,294)	(37,294)
Surplus (deficit) for the year	-	-
Balance, end of the year	\$ (37,294)	\$ (37,294)

Pasqua First Nation
(CMHC Housing (Section 95))
Notes to Financial Statements
For the year ended March 31, 2014

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 under funded as follows:

	Reserve Amount	Funded Amount	Underfunded Amount
Replacement reserve - pre - 1997	\$ 83,584	\$ 17,787	\$ 65,797
Replacement reserve - post - 1996	457,298	416,625	40,673
Operating reserve - post - 1996	113,681	34,496	79,185
	<u>\$ 654,563</u>	<u>\$ 468,908</u>	<u>\$ 185,655</u>

Schedule 1
Pasqua First Nation
(CMHC Housing (Section 95))
Schedule of Operations - Pre-1997 Projects
For the year ended March 31, 2014

	2014	2013 Restated
Revenue		
Rental revenue	\$ 76,092	\$ 76,092
CMHC subsidies	45,046	46,887
Band contribution	4,198	5,326
	125,336	128,305
Expenditures		
Administration fees	6,120	6,120
Amortization	57,810	53,018
Insurance premiums	13,981	11,573
Loan interest	16,533	22,715
Professional fees	2,499	2,499
Repairs and maintenance	20,233	24,220
Replacement reserve allocation	8,160	8,160
	125,336	128,305
Surplus (deficit) for the year	\$ -	\$ -

Schedule 2
Pasqua First Nation
(CMHC Housing (Section 95))
Schedule of Operations - Post-1996 Projects
For the year ended March 31, 2014

	2014	2013 Restated
Revenue		
Rental revenue	\$ 194,316	\$ 182,586
CMHC subsidies	302,336	259,115
	496,652	441,701
Expenditures		
Administration fees	32,830	28,075
Amortization	190,462	168,731
Insurance premiums	46,539	36,892
Loan interest	97,709	85,788
Professional fees	9,638	7,983
Repairs and maintenance	101,628	40,726
Replacement reserve allocation	67,720	59,520
	546,526	427,715
Surplus (deficit) for the year from operations	(49,874)	13,986
Transfer from (to) operating reserve fund - Post-1996	49,874	(13,986)
Surplus (deficit) for the year	\$ -	\$ -