

Pasqua First Nation
(CMHC Housing (Section 95))
Financial Statements
March 31, 2015

Pasqua First Nation
(CMHC Housing (Section 95))
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For the year ended March 31, 2015

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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, 2015, 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, 2015, 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 28, 2015

Chalupiak & Associates

Pasqua First Nation
(CMHC Housing (Section 95))
Statement of Financial Position
March 31, 2015

	2015	2014
<hr/>		
Assets		
Current assets		
Cash	\$ 10,482	\$ 13,288
Restricted cash - replacement reserve - bank - note 8	29,164	17,787
Restricted cash - operating reserve - bank	37,814	34,496
Restricted cash - reserves - GICs - note 8	416,625	416,625
Subsidy receivable	36,714	34,756
	<hr/>	<hr/>
	530,799	516,952
 Due from Pasqua First Nation - note 5	 241,832	 123,928
Houses - note 1.b	5,512,242	5,570,798
	<hr/>	<hr/>
	\$ 6,284,873	\$ 6,211,678
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Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 15,017	\$ 12,138
Current portion of CMHC mortgages - note 2	332,947	317,020
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	347,964	329,158
 Long-term liabilities		
CMHC mortgages - note 2	5,179,295	5,253,778
 Reserves		
Replacement reserve - note 7	627,491	542,482
Operating reserve - Post-1996 - note 7	167,417	123,554
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Total reserves - note 7	794,908	666,036
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Operating deficit - pre-1997	(37,294)	(37,294)
	<hr/>	<hr/>
	\$ 6,284,873	\$ 6,211,678
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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, 2015

	2015	2014 Restated
Revenues		
Rental revenue	\$ 279,558	\$ 291,388
CMHC subsidies	425,188	347,382
Band contribution	63,181	4,010
	767,927	642,780
Expenditures		
Administration fees	47,591	39,910
Amortization	321,278	248,272
Insurance premiums	74,058	60,520
Loan Interest	41,236	122,601
Professional fees	15,017	12,137
Repairs and maintenance	134,604	121,861
Replacement reserve	90,280	77,480
	724,064	682,781
Surplus (deficit) for the year from operations	43,863	(40,001)
Transfer from (to) operating reserve fund - Post-1996	(43,863)	40,001
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, 2015

	2015	2014 Restated
Cash flows from (used in) operating activities		
Surplus (deficit) for the year	\$ -	\$ -
Items not involving cash		
Amortization	321,278	248,272
Changes in non-cash operating items		
Restricted cash - operating reserve - bank	(3,318)	(31,362)
Subsidy receivable	(1,958)	8,117
Accounts payable and accrued liabilities	2,879	1,655
	318,881	226,682
Cash flows from (used in) investing activities		
Restricted cash - replacement reserve - bank	(11,377)	37,423
Purchase of houses	(262,722)	(1,252,218)
	(274,099)	(1,214,795)
Cash flows from (used in) financing activities		
Due to (from) Pasqua First Nation	(117,904)	(129,855)
Repayment of CMHC mortgages	(58,556)	1,003,947
Replacement reserve	85,009	79,386
Operating reserve - Post-1996	43,863	(40,001)
	(47,588)	913,477
Decrease in cash	(2,806)	(74,636)
Cash, beginning of year	13,288	87,924
Cash, end of year	\$ 10,482	\$ 13,288
Cash consists of:		
Cash	\$ 10,482	\$ 13,288
	\$ 10,482	\$ 13,288

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, 2015

2. CMHC mortgages

		Maturity date	Interest rate	Blended monthly payments	2015	2014
1	Peace Hills Trust	01/10/2018	5.34%	\$ 2,948	\$ 115,774	\$ 144,371
2	Peace Hills Trust	01/03/2017	5.24%	1,645	37,652	55,034
3	Peace Hills Trust	01/04/2018	5.14%	1,530	52,444	67,786
4	CMHC	01/06/2015	2.76%	667	37,438	44,329
5	CMHC	01/06/2015	2.76%	706	39,654	46,953
6	CMHC	01/08/2015	2.69%	1,741	187,491	203,181
7	CMHC	01/09/2017	1.71%	997	133,934	143,539
8	CMHC	01/03/2018	1.62%	1,074	150,418	160,807
9	CMHC	01/02/2020	1.12%	1,249	205,017	216,551
10	CMHC	01/06/2016	2.63%	3,955	454,251	489,432
11	CMHC	01/06/2016	2.37%	5,832	949,272	996,397
12	CMHC	01/06/2017	1.65%	1,835	330,618	347,079
13	CMHC	01/06/2017	1.65%	3,669	661,337	694,257
14	CMHC	01/01/2019	2.11%	8,576	1,924,167	1,861,431
15	CMHC	01/08/2019	1.85%	1,041	232,775	99,651
					5,512,242	5,570,798
Less current portion					332,947	317,020
Due beyond one year					\$ 5,179,295	\$ 5,253,778

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:

	2015	2014
Houses	\$ 5,512,242	\$ 5,570,798
Liabilities	-	-
Current portion of mortgages	(332,947)	(317,020)
Mortgages payable	(5,179,295)	(5,253,778)
	\$ -	\$ -

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, 2015

7. Reserve funds

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

	2015	2014
Balance, start of the year	\$ 83,584	\$ 76,535
Allocation for the year	8,160	8,160
Interest earned	1,791	2,333
Replacements for the year	(7,099)	(3,444)
Balance, end of the year	\$ 86,436	\$ 83,584

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

	2015	2014
Balance, start of the year	\$ 458,898	\$ 386,562
Allocation for the year	82,120	69,320
Interest earned	7,271	7,547
Replacements for the year	(7,234)	(4,531)
Balance, end of the year	\$ 541,055	\$ 458,898

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

	2015	2014
Balance, start of the year	\$ 123,554	\$ 163,555
Transfer from (to) operations - current year	43,863	(40,001)
Balance, end of the year	\$ 167,417	\$ 123,554

Operating deficit (phases 1 - 3)

	2015	2014
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, 2015

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	\$ 86,436	\$ 29,164	\$ 57,272
Replacement reserve - post - 1996	541,055	416,625	124,430
Operating reserve - post - 1996	167,417	37,814	129,603
	<u>\$ 794,908</u>	<u>\$ 483,603</u>	<u>\$ 311,305</u>

Schedule 1
Pasqua First Nation
(CMHC Housing (Section 95))
Schedule of Operations - Pre-1997 Projects
For the year ended March 31, 2015

	2015	2014 Restated
Revenue		
Rental revenue	\$ 21,962	\$ 76,092
CMHC subsidies	44,368	45,046
Band contribution	63,181	4,010
	129,511	125,148
Expenditures		
Administration fees	6,120	6,120
Amortization	61,320	57,810
Insurance premiums	15,488	13,981
Loan interest	13,023	16,345
Professional fees	2,499	2,499
Repairs and maintenance	22,901	20,233
Replacement reserve allocation	8,160	8,160
	129,511	125,148
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, 2015

	2015	2014 Restated
Revenue		
Rental revenue	\$ 257,596	\$ 215,296
CMHC subsidies	380,820	302,336
	638,416	517,632
Expenditures		
Administration fees	41,471	33,790
Amortization	259,958	190,462
Insurance premiums	58,570	46,539
Loan interest	28,213	106,256
Professional fees	12,518	9,638
Repairs and maintenance	111,703	101,628
Replacement reserve allocation	82,120	69,320
	594,553	557,633
Surplus (deficit) for the year from operations	43,863	(40,001)
Transfer from (to) operating reserve fund - Post-1996	(43,863)	40,001
Surplus (deficit) for the year	\$ -	\$ -