

**Huu-ay-aht First Nations
CMHC Social Housing
Financial Statements**
March 31, 2013

**Huu-ay-aht First Nations - CMHC Social Housing
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For the year ended March 31, 2013

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Huu-ay-aht First Nations - CMHC Social Housing Independent Auditors' Report

For the year ended March 31, 2013

To the Citizens of Huu-ay-aht First Nations:

We have audited the accompanying financial statements of Huu-ay-aht First Nations - CMHC Social Housing, which comprise the statement of financial position as at March 31, 2013, and the statements of revenue, expenses and accumulated deficit and cash flows 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 Huu-ay-aht First Nations based on the financial reporting provisions of Section 95 of the funding agreement between Huu-ay-aht First Nations and the Canada Mortgage and Housing Corporation (CMHC) as disclosed in Note 1 of the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section 95 of the funding agreement between Huu-ay-aht First Nations 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 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 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 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 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 we have 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 Huu-ay-aht First Nations - CMHC Social Housing, as at March 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting provisions of Section 95 of the funding agreement between Huu-ay-aht First Nations 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 Huu-ay-aht First Nations to comply with the reporting provisions of the funding agreement referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Citizens of Huu-ay-aht First Nations and CMHC and should not be used by parties other than the Citizens of Huu-ay-aht First Nations and CMHC.

Other Matter

The prior year financial statements were audited by another accounting firm.

Nanaimo, BC

August 27, 2013

MNP LLP

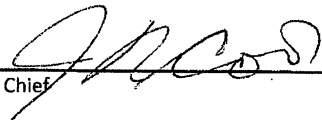
Chartered Accountants

Huu-ay-aht First Nations - CMHC Social Housing
Statement of Financial Position

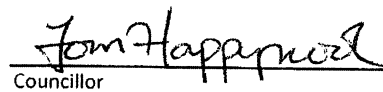
As at March 31, 2013

	2013	2012
Assets		
Current		
Cash	27,871	40,631
Accounts receivable	1,664	4,373
	29,535	45,004
Restricted cash and deposits		
Replacement reserve fund (Note 2)	26,459	17,850
Operating reserve fund (Note 3)	17,814	17,636
	73,808	80,490
Fixed assets (Note 4)		
Buildings	323,025	323,025
Less: accumulated amortization	(63,527)	(54,328)
Net book value	259,498	268,697
Total assets	333,306	349,187
Liabilities		
Current		
Accounts payable and accrued liabilities	4,315	2,933
Deferred revenue and deposits	1,167	624
Current portion of long-term debt (Note 5)	9,402	9,160
Due to Huu-ay-aht First Nations (Note 6)	66,311	68,915
	81,195	81,632
Long-term debt (Note 5)	178,685	188,126
	259,880	269,758
Equity		
Contributed surplus	71,411	71,411
Funded Reserves		
Replacement reserve (Note 2)	12,814	17,051
Operating reserve (Note 3)	16,670	18,436
Accumulated deficit	(27,469)	(27,469)
	73,426	79,429
Total liabilities and equity	333,306	349,187

Approved on behalf of Executive Council



Chief



Councillor

The accompanying notes are an integral part of these financial statements

Huu-ay-aht First Nations - CMHC Social Housing Statement of Revenue, Expenses and Accumulated Deficit

For the year ended March 31, 2013

	2013	2012
Revenue		
Rentals	15,012	15,012
Canada Mortgage and Housing Corporation Subsidy	9,989	9,989
Interest and miscellaneous	857	338
	25,858	25,339
Expenses		
Insurance	1,860	1,750
Maintenance & repairs	456	-
Allocation to replacement reserve <i>(Note 2)</i>	3,000	3,000
Amortization	9,199	8,941
Loan interest	4,983	5,239
Professional fees	5,880	4,000
Administration fees	2,400	2,400
Bank charges and interest	23	-
Other	-	300
	27,801	25,630
Deficit for the year	(1,943)	(291)
Accumulated deficit, beginning of the year	(27,469)	(27,469)
Transfer from operating reserve for the year <i>(Note 3)</i>	1,943	291
Accumulated deficit, end of the year	(27,469)	(27,469)

The accompanying notes are an integral part of these financial statements

Huu-ay-aht First Nations - CMHC Social Housing

Statement of Cash Flows

For the year ended March 31, 2013

	2013	2012
Operating activities		
CMHC section 95 assistance received	9,989	9,989
Rental revenue received	12,549	13,833
Other receipts	319	728
Payments for operating expenses	(6,818)	(4,321)
Payments for loan interest	(5,002)	(5,239)
Transfer to Replacement Reserve	(9,236)	(3,214)
Transfer (to)/from Operating Reserve	(5,362)	115
	(3,561)	11,891
Financing activities		
Repayment of loan principal	(9,199)	(8,941)
Increase (decrease) in cash during the year	(12,760)	2,950
Cash, beginning of year	40,631	37,681
Cash, end of year	27,871	40,631

The accompanying notes are an integral part of these financial statements

Huu-ay-aht First Nations - CMHC Social Housing

Notes to the Financial Statements

For the year ended March 31, 2013

1. Significant Accounting Policies

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses 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.

Fixed Assets

Fixed assets are recorded at cost

Amortization

Amortization is provided on building and furniture and equipment purchased from loans insured by CMHC at a rate equal to the annual principal reduction of the loan. No amortization is charged on other fixed assets; however, a Replacement Reserve is maintained to provide for future asset replacement.

Replacement Reserve

The Replacement Reserve account is funded by an annual charge against earnings as opposed to an appropriation of surplus. Interest earnings and expenditures are charges against the reserve.

2. Replacement Reserve

Under the terms of the agreements with CMHC, the replacement reserve account is to be credited in the amount of \$3,000 annually (2012 - \$3,000). These 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 funds in the account may only be used as approved by CMHC. At year end, the Nation has adequately funded the fund by \$13,645. The funds in the reserve consisted of the following:

	2013	2012
Replacement reserve opening balance	17,051	13,837
Interest earned	247	214
Annual appropriation from operations	3,000	3,000
	20,298	17,051
Recovery of approved expenditures	(7,484)	-
Total	12,814	17,051

Huu-ay-aht First Nations - CMHC Social Housing

Notes to the Financial Statements

For the year ended March 31, 2013

3. Operating Reserve

Under the terms of the agreements with Canada Mortgage and Housing Corporation, excess federal assistance payments received may be retained in an Operating Reserve. These 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. For the Post 1996 phases, the funds may be used to offset future deficits. Withdrawals are credited to interest first and then principal. At year-end the funds in the Operating Reserve consisted of the following:

	2013	2012
Operating reserve opening balance	18,436	18,551
Interest Earned	177	176
Transfer of operating deficit	(1,943)	(291)
Total	16,670	18,436

At year end, the operating reserve was adequately funded by \$1,144.

4. Fixed Assets

	Cost	Accumulated Amortization	2013 Net Book Value	2012 Net Book Value
Buildings	323,025	63,527	259,498	268,697

Huu-ay-aht First Nations - CMHC Social Housing Notes to the Financial Statements

For the year ended March 31, 2013

5. Long-term Debt

	2013	2012
Mortgage repayable to All Nations Trust Company at \$1,183 per month including interest at 2.61% per annum, maturing on June 1, 2029 and renewing on September 1, 2014, secured by the guarantee of the First Nations and the Government of Canada	188,087	197,286
Current portion of long-term debt	(9,402)	(9,160)
	178,685	188,126

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

	Principal
2014	9,402
2015	9,650
2016	9,905
2017	10,166
2018	10,434
Total principal payments over the next five years	49,557
Thereafter	138,530

6. Related Party Transactions

The amount due to Huu-ay-aht First Nations is unsecured, non-interest bearing and with no specific terms of repayment.

7. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Independent Auditors' Report on Compliance with Agreement Huu-ay-aht First Nations – CMHC Social Housing

For the year ended March 31, 2013

To Canada Mortgage and Housing Corporation:

With regards to the Post 1996 On Reserve Housing, we have audited the Huu-ay-aht First Nations' compliance as at March 31, 2013 with the criteria established to fund and maintain the Operating Reserve, Replacement Reserve and the interest income related thereto by clause 10(2)(e) and 10(2)(g). We have also audited the Huu-ay-aht First Nations' compliance with the criteria established to ensure disbursements from the Replacement Reserve Fund for items of a capital nature are in accordance with the criteria set out in clause 10(2)(f) and that procurement requirements have been adhered to.

Compliance with the criteria established by the provisions of the agreement is the responsibility of Huu-ay-aht First Nations' management. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the First Nations complied with the criteria established by the provisions of the Agreement referred to above. An audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with these criteria, and where applicable, assessing the accounting principles used and significant estimates made by management.

We were able to verify the following:

- the Nation has adequately funded the Post 1996 Replacement Reserve by \$13,645.
- disbursements from the replacement Reserve Fund for items of a capital nature have been made in accordance with Schedule D of the operating agreement.
- surplus for the Post 1996 phases has been transferred to the Operating Reserve and at year end the operating reserve is adequately funded by \$1,144

In our opinion, as explained in the previous paragraphs, the Huu-ay-aht First Nations is in compliance, in all material respects, with the criteria established by the Agreement referred to above.

Nanaimo, British Columbia

August 21, 2013


Chartered Accountants