

**Huu-ay-aht First Nations
CMHC Social Housing
Financial Statements**
March 31, 2014

Huu-ay-aht First Nations - CMHC Social Housing
Table of Contents

For the year ended March 31, 2014

Page

Independent Auditors' Report

Financial Statements

Statement of Financial Position 1

Statement of Revenue, Expenses and Accumulated Deficit..... 2

Statement of Cash Flows 3

Notes to the Financial Statements 4

Independent Auditors' Report on Compliance with Agreement

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

For the year ended March 31, 2014

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, 2014, 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 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, in all material respects, the financial position of Huu-ay-aht First Nations - CMHC Social Housing, as at March 31, 2014 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.

Nanaimo, British Columbia

August 28, 2014

MNP LLP

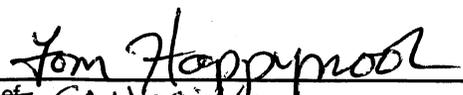
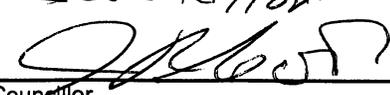
Chartered Accountants

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

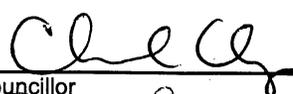
As at March 31, 2014

	2014	2013
Assets		
Current		
Cash	33,747	27,871
Accounts receivable	1,974	1,664
	35,721	29,535
Restricted cash and deposits		
Replacement reserve fund (Note 2)	29,737	26,459
Operating reserve fund (Note 3)	12,115	17,814
	77,573	73,808
Fixed assets (Note 4)		
Buildings	323,025	323,025
Less: accumulated amortization	(72,956)	(63,527)
Net book value	250,069	259,498
Total assets	327,642	333,306
Liabilities		
Current		
Accounts payable and accrued liabilities	5,810	4,315
Deferred revenue and deposits	666	1,167
Current portion of long-term debt (Note 5)	9,649	9,402
Due to Huu-ay-aht First Nations (Note 6)	73,826	66,311
	89,951	81,195
Long-term debt (Note 5)	169,008	178,685
	258,959	259,880
Equity		
Contributed surplus	71,411	71,411
Funded Reserves		
Replacement reserve (Note 2)	8,717	12,814
Operating reserve (Note 3)	16,024	16,670
Accumulated deficit	(27,469)	(27,469)
	68,683	73,426
Total liabilities and equity	327,642	333,306

Approved on behalf of Executive Council


 Chief Councillor

 Councillor

 Councillor


 Councillor

 Councillor

 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, 2014

	2014	2013
Revenue		
Rentals	16,008	15,012
Canada Mortgage and Housing Corporation Subsidy	9,989	9,989
Interest and miscellaneous	293	857
	26,290	25,858
Expenses		
Bad debt expense	831	-
Insurance	1,860	1,860
Maintenance & repairs	1,579	456
Allocation to replacement reserve <i>(Note 2)</i>	3,000	3,000
Amortization	9,430	9,199
Loan interest	4,751	4,983
Professional fees	3,255	5,880
Administration fees	2,400	2,400
Bank charges and interest	-	23
	27,106	27,801
Deficit for the year	(816)	(1,943)
Accumulated deficit, beginning of the year	(27,469)	(27,469)
Transfer from operating reserve for the year <i>(Note 3)</i>	816	1,943
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, 2014

	2014	2013
Operating activities		
CMHC section 95 assistance received	9,989	9,989
Rental revenue received	14,866	12,549
Other receipts	293	319
Payments for operating expenses	(2,485)	(6,818)
Payments for loan interest	(4,357)	(5,002)
Transfer to Replacement Reserve	(3,000)	(9,236)
Transfer (to)/from Operating Reserve	-	(5,362)
	15,306	(3,561)
Financing activities		
Repayment of loan principal	(9,430)	(9,199)
Increase (decrease) in cash during the year	5,876	(12,760)
Cash, beginning of year	27,871	40,631
Cash, end of year	33,747	27,871

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, 2014

1. Significant Accounting Policies

These financial statements have been prepared in accordance with the financial reporting provisions of Sections 95 of the funding agreement between Huu-ay-aht First Nations and CMHC.

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 (2013 - \$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 replacement reserve. The funds in the reserve consisted of the following:

	2014	2013
Replacement reserve opening balance	12,814	17,051
Interest earned	279	247
Annual appropriation from operations	3,000	3,000
	16,093	20,298
Recovery of approved expenditures	(7,376)	(7,484)
Total	8,717	12,814

Huu-ay-aht First Nations - CMHC Social Housing

Notes to the Financial Statements

For the year ended March 31, 2014

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:

	2014	2013
Operating reserve opening balance	16,670	18,436
Interest Earned	170	177
Transfer of operating loss	(816)	(1,943)
Total	16,024	16,670

At year end, the operating reserve was underfunded by \$3,909.

4. Fixed Assets

	Cost	Accumulated Amortization	2014 Net Book Value	2013 Net Book Value
Buildings	323,025	72,956	250,069	259,498

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

For the year ended March 31, 2014

5. Long-term Debt

	2014	2013
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	178,657	188,087
Current portion of long-term debt	(9,649)	(9,402)
	169,008	178,685

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
2015	9,649
2016	9,905
2017	10,166
2018	10,434
2019	10,709
Total principal payments over the next five years	50,863
Thereafter	127,794

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.

8. Contingency

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

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

For the year ended March 31, 2014

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, 2014 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.
- disbursements from the replacement Reserve Fund for items of a capital nature have been made in accordance with Schedule D of the operating agreement.
- Operating loss for the Post 1996 phases has been transferred from the Operating Reserve
- At year end the operating reserve is underfunded by \$3,909

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 28, 2014

MNP LLP

Chartered Accountants