

**Huu-ay-aht First Nations
CMHC Social Housing
Financial Statements
For the year ended March 31, 2018**

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Independent Auditor's Report

To the Canada Mortgage and Housing Corporation:

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, 2018, and the Statements of Revenue, Expenses and Accumulated Surplus 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 2 of the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditor's 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 auditor's 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 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 the Huu-ay-aht First Nations CMHC Social Housing as at March 31, 2018 and the results of its operations and 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 audit engagement report, we draw attention to Note 2 to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist Huu-ay-aht First Nations to comply with the reporting provisions of Section 95 of the funding agreement between Huu-ay-aht First Nations and CMHC. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for Huu-ay-aht First Nations and CMHC and should not be used by parties other than Huu-ay-aht First Nations or CMHC.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
September 6, 2018

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

As at March 31	2018	2017
Assets		
Current		
Cash	\$ 44,333	\$ 37,601
Accounts receivable	769	769
	45,102	38,370
Restricted cash		
Replacement reserve fund (Note 3)	30,314	27,314
Operating reserve fund (Note 4)	9,704	12,011
	85,120	77,695
Fixed Assets		
Building	323,025	323,025
Less: Accumulated Amortization	(114,982)	(104,126)
	208,043	218,899
Net book value	208,043	218,899
	\$ 293,163	\$ 296,594
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 6,744	\$ 6,792
Deferred revenue and deposits	667	666
Current portion of long-term debt (Note 5)	11,055	10,857
Due to Huu-ay-aht First Nations (Note 6)	60,847	51,947
	79,313	70,262
Long-term debt (Note 5)	125,647	136,703
	204,960	206,965
Equity		
Contributed surplus	71,411	71,411
Funded reserves		
Replacement reserve (Note 3)	7,977	5,940
Operating reserve (Note 4)	8,815	12,278
	88,203	89,629
	\$ 293,163	\$ 296,594

Approved on behalf of the Executive Council

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Chief Councilor

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Councilor

**Huu-ay-aht First Nations
CMHC Social Housing**

Statement of Revenue, Expenses and Accumulated Surplus

For the year ended March 31	2018	2017
Revenue		
Rental income	\$ 17,004	\$ 16,921
Canada Mortgage and Housing Corporation Subsidy	9,231	9,231
	26,235	26,152
Expenses		
Amortization	10,857	10,668
Professional fees	7,795	5,000
Insurance	3,060	3,060
Allocation to replacement reserve (Note 3)	3,000	3,000
Loan interest	2,586	2,775
Administration fees	2,400	2,400
	29,698	26,903
Excess (deficit) of revenue and expense	(3,463)	(751)
Transfer (to) from operating reserve for the year (Note 4)	3,463	751
Accumulated surplus, end of year	\$ -	\$ -

**Huu-ay-aht First Nations
CMHC Social Housing
Statement of Cash Flows**

For the year ended March 31	2018	2017
Operating transactions		
CMHC section 95 assistance received	\$ 9,231	\$ 8,462
Rental revenue received	17,004	16,922
Payments for operating expenses	(3,061)	(8,460)
Payments for loan interest	(2,586)	(2,775)
Transfer to replacement reserve	(3,000)	(3,000)
	<u>17,588</u>	<u>11,149</u>
Financing transactions		
Repayment of loan principal	<u>(10,857)</u>	<u>(10,669)</u>
Net increase in cash during the year	6,731	480
Cash, beginning of year	<u>37,601</u>	<u>37,121</u>
Cash, end of year	<u>\$ 44,332</u>	<u>\$ 37,601</u>

March 31, 2018

1. Description of Operations

Huu-ay-aht First Nations Housing Program's ("Program") purpose is to administer a housing program for Citizens of Huu-ay-aht First Nations. The Program assists in obtaining and managing the repayment of mortgages. It coordinates the building of homes and maintains funds to provide repairs and maintenance. The Program receives a subsidy from the Canada Mortgage and Housing Corporation ("CMHC").

2. Basis of Presentation and Significant Accounting Policies

These financial statements are the representations of management, 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 acquisition cost less accumulated amortization. Housing phases without mortgages are removed from fixed assets in the year following payout of the mortgage.

Amortization

Amortization is provided on building 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 surplus (deficit) as opposed to an appropriation of surplus. Interest earnings and expenditures are charges against the reserve.

Revenue Recognition

The CMHC subsidy is recognized as it becomes receivable under the terms of applicable funding agreements. Rental revenue is recognized when earned.

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Notes to Consolidated Financial Statements

March 31, 2018

3. 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. 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 Program has adequately funded the replacement reserve. The funds in the reserve consisted of the following:

	2018	2017
Replacement reserve, opening balance	\$ 5,940	\$ 4,098
Interest earned	-	42
Annual appropriation from operations	3,000	3,000
	8,940	7,140
Recovery of approved expenditures	(963)	(1,200)
	\$ 7,977	\$ 5,940

4. 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:

	2018	2017
Operating reserve, opening balance	\$ 12,278	\$ 12,987
Interest earned	-	42
	12,278	13,029
Transfer from operating reserve to operations	(3,463)	(751)
	\$ 8,815	\$ 12,278

Huu-ay-aht First Nations
Notes to Consolidated Financial Statements

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5. Long-Term Debt

	<u>2018</u>	<u>2017</u>
Mortgage repayable to All Nations Trust Company at \$1,120 per month including interest at 1.82% per annum, maturing on June 1, 2029 and renewing on Sept. 1, 2019, collateralized by the guarantee of the Nations and the Government of Canada	\$ 136,702	\$ 147,559
Current portion of long-term debt	<u>(11,055)</u>	<u>(10,857)</u>
	<u>\$ 125,647</u>	<u>\$ 136,702</u>

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

2019	\$ 11,055
2020	<u>125,647</u>
	<u>\$ 136,702</u>

6. Due to Huu-ay-aht First Nations

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