

**Huu-ay-aht First Nations  
CMHC Social Housing  
Financial Statements  
For the year ended March 31, 2019**

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## Independent Auditor's Report

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To the Canada Mortgage and Housing Corporation:

### Opinion

We have audited the financial statements of Huu-ay-aht First Nations CMHC Social Housing, which comprise the Statement of Financial Position as at March 31, 2019, the Statements of Revenue, Expenses and Accumulated Surplus, and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Huu-ay-aht First Nations CMHC Social Housing as at March 31, 2019, and its results of 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 the Canada Mortgage and Housing Corporation (CMHC).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of Huu-ay-aht First Nations CMHC Social Housing in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

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 meet with the reporting requirements 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 distributed or used by parties other than Huu-ay-aht First Nations or CMHC. Our opinion is not modified in respect of this matter.

### Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing Huu-ay-aht First Nations CMHC Social Housing's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Huu-ay-aht First Nations CMHC Social Housing, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Huu-ay-aht First Nations CMHC Social Housing's financial reporting process.

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## Independent Auditor's Report

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### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Huu-ay-aht First Nations CMHC Social Housing's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Huu-ay-aht First Nations CMHC Social Housing's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Vancouver, British Columbia  
March 18 2020

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

As at March 31	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 43,610	\$ 44,333
Accounts receivable	8,135	769
	<u>51,745</u>	45,102
<b>Restricted cash</b>		
Replacement reserve fund (Note 3)	33,296	30,314
Operating reserve fund (Note 4)	9,704	9,704
	<u>94,745</u>	85,120
<b>Fixed Assets</b>		
Building	323,025	323,025
Less: Accumulated Amortization	(126,038)	(114,982)
	<u>196,987</u>	208,043
Net book value	<u>\$ 291,732</u>	<u>\$ 293,163</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 6,744	\$ 6,744
Deferred revenue and deposits	667	667
Current portion of long-term debt (Note 5)	11,249	11,055
Due to Huu-ay-aht First Nations (Note 6)	69,747	60,847
	<u>88,407</u>	79,313
Long-term debt (Note 5)	<u>114,398</u>	125,647
	202,805	204,960
<b>Equity</b>		
Contributed surplus	71,411	71,411
<b>Funded reserves</b>		
Replacement reserve (Note 3)	10,977	7,977
Operating reserve (Note 4)	6,539	8,815
	<u>88,927</u>	88,203
	<u>\$ 291,732</u>	<u>\$ 293,163</u>

Approved on behalf of the Executive Council

  


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Chief Councilor

Councilor

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

<b>For the year ended March 31</b>	<b>2019</b>	<b>2018</b>
<b>Revenue</b>		
Rental income	\$ 17,004	\$ 17,004
Canada Mortgage and Housing Corporation Subsidy	9,231	9,231
	<u>26,235</u>	<u>26,235</u>
<b>Expenses</b>		
Amortization	11,055	10,857
Professional fees	6,518	7,795
Insurance	3,150	3,060
Allocation to replacement reserve (Note 3)	3,000	3,000
Loan interest	2,388	2,586
Administration fees	2,400	2,400
	<u>28,511</u>	<u>29,698</u>
Excess deficit of revenue and expense	(2,276)	(3,463)
Transfer from operating reserve for the year (Note 4 )	2,276	3,463
Accumulated surplus, end of year	\$ -	\$ -

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

<b>For the year ended March 31</b>	<b>2019</b>	<b>2018</b>
<b>Operating transactions</b>		
CMHC section 95 assistance received	\$ 1,868	\$ 9,231
Rental revenue received	17,004	17,004
Payments for operating expenses	(3,151)	(3,061)
Payments for loan interest	(2,388)	(2,586)
Transfer to replacement reserve	(3,000)	(3,000)
	<u>10,333</u>	<u>17,588</u>
<b>Financing transactions</b>		
Repayment of loan principal	<u>(11,055)</u>	<u>(10,857)</u>
<b>Net increase (decrease) in cash during the year</b>	<b>(722)</b>	<b>6,731</b>
<b>Cash, beginning of year</b>	<u><b>44,332</b></u>	<u><b>37,601</b></u>
<b>Cash, end of year</b>	<u><b>\$ 43,610</b></u>	<u><b>\$ 44,332</b></u>

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

March 31, 2019

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### 1. Description of Operations

The purpose of Huu-ay-aht First Nations Housing Program (the "Program") 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").

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### 2. Basis of Presentation and Significant Accounting Policies

These financial statements reflect the activities and balances of the Program and as such do not include all assets, liabilities, revenues and expenses of Huu-ay-aht First Nations.

These financial statements have been prepared in accordance with the financial reporting provisions of Sections 95 of the Funding Agreement (the "Agreement") between Huu-ay-aht First Nations and CMHC. The financial statements are prepared to assist Huu-ay-aht First Nations to meet the requirements of CMHC. As a result, the financial statements may not be suitable for another purpose.

#### **Basis of Presentation**

The Agreement requires the financial statements to be prepared in a manner consistent with generally accepted accounting principles ("GAAP") with some differences as noted below. Management of Huu-ay-aht First Nations has interpreted GAAP to be the recognition and measurement principals of Canadian public sector accounting standards ("PSAS").

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 are removed from fixed assets in the year following payout of the mortgage.

#### **Amortization**

Amortization is provided on building purchased from loans financed by CMHC at a rate equal to the annual principal reduction of the loan. No amortization is charged on other fixed assets.

#### **Replacement Reserve**

A Replacement Reserve is maintained to provide for future asset replacement. 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 charged 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.

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

March 31, 2019

**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:

	2019	2018
Replacement reserve, opening balance	\$ 7,977	\$ 5,940
Annual appropriation from operations	3,000	3,000
	10,977	8,940
Recovery of approved expenditures	-	(963)
	\$ 10,977	\$ 7,977

**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:

	2019	2018
Operating reserve, opening balance	\$ 8,815	\$ 12,278
Transfer from operating reserve to operations	(2,276)	(3,463)
	\$ 6,539	\$ 8,815

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

**March 31, 2019**

**5. Long-Term Debt**

	2019	2018
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	\$ 125,647	\$ 136,702
Current portion of long-term debt	(11,249)	(11,055)
	\$ 114,398	\$ 125,647

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:

2020	\$ 11,249
2021	11,455
2022	11,665
2023	11,880
2024	12,097
Thereafter	67,301
	\$ 125,647

**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.