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**NUCHATLAHT FIRST NATION  
SOCIAL HOUSING PHASE I & II**

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**FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2015**

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**NUCHATLAHT FIRST NATION  
SOCIAL HOUSING PHASE I & II**

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**YEAR ENDED MARCH 31, 2015  
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**INDEPENDENT AUDITORS' REPORT**

To the members  
Nuchatlaht First Nation

**Report on Financial Statements**

We have audited the statement of financial position of Nuchatlaht First Nation Social Housing Phase I & II as at March 31, 2015, the summary statement of operations and the statements of members' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. These financial statements have been prepared to comply with the Nuchatlaht First Nation agreement with Canada Mortgage and Housing Corporation (CMHC).

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Nuchatlaht First Nation agreement with 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 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 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, these financial statements present fairly, in all material respects, the financial position of Nuchatlaht First Nation Social Housing Phase I & II as at March 31, 2015 and the results of its operations and changes in members' equity and cash flows for the year then ended in accordance with the Nuchatlaht First Nation agreement with CMHC.

**Basis of Accounting and Restriction on Distribution and Use**

Without modifying our opinion, we draw attention to note 1(a) to the financial statements, which describes the basis of accounting. These financial statements are prepared to assist Nuchatlaht First Nation in complying with the financial reporting provisions of the agreement referred to above. As a result, these financial statements may not be suitable for another purpose. Our report is intended solely for Nuchatlaht First Nation and CMHC and should not be distributed to or used by parties other than Nuchatlaht First Nation and CMHC.

Parksville, Canada  
July 23, 2015

*McGorman MacLean*  
CHARTERED PROFESSIONAL ACCOUNTANTS

**NUCHATLAHT FIRST NATION  
SOCIAL HOUSING PHASE I & II**

**STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2015**

	2015	2014
<b>ASSETS</b>		
Cash - restricted (note 3)	\$ 48,293	\$ 48,297
Accounts receivable	845	845
Rents receivable (note 4)	43,000	40,201
Capital assets (note 5)	311,313	342,849
	\$ 403,451	\$ 432,192
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 3,500	\$ 3,500
Long term debt (note 6)	124,661	156,197
Payable to operating fund	176,465	173,670
	304,626	333,367
<b>MEMBERS' EQUITY</b>		
Operations	(110,146)	(122,580)
Equity in capital assets	186,652	186,652
Replacement reserve (note 3)	22,319	34,753
	98,825	98,825
	\$ 403,451	\$ 432,192

APPROVED ON BEHALF OF COUNCIL:

  
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**NUCHATLAHT FIRST NATION  
SOCIAL HOUSING PHASE I & II**

**SUMMARY STATEMENT OF OPERATIONS  
YEAR ENDED MARCH 31, 2015**

	2015	2014
<b>REVENUE</b>		
Rental income	\$ 36,980	\$ 29,595
CMHC subsidies	10,145	10,145
Adjustment to prior year subsidies	-	(178)
	47,125	39,562
<b>EXPENSES</b>		
Accounting fees	3,500	3,500
Amortization	31,536	30,881
Insurance	8,245	5,414
Modernization and improvements	120	9,050
Mortgage interest	2,327	2,981
Repairs and maintenance	4,519	1,773
Replacement reserve expenses	19,060	10,888
	69,307	64,487
<b>EXCESS OF EXPENSES</b>	(22,182)	(24,925)
<b>FUND TRANSFERS</b>		
Transfer from operating fund	22,182	24,925
<b>SURPLUS FOR THE YEAR</b>	-	-
<b>EQUITY AT BEGINNING OF YEAR</b>	98,825	98,825
<b>EQUITY AT END OF YEAR</b>	\$ 98,825	\$ 98,825

**NUCHATLAHT FIRST NATION  
SOCIAL HOUSING PHASE I & II**

**STATEMENT OF MEMBERS' EQUITY  
YEAR ENDED MARCH 31, 2015**

	Operations	Equity in capital assets	Replacement reserve	Total 2015	Total 2014
<b>BALANCE AT BEGINNING OF YEAR</b>	\$ (122,580)	\$ 186,652	\$ 34,753	\$ 98,825	\$ 98,825
Excess of revenue (expenses)	28,414	(31,536)	(19,060)	(22,182)	(24,925)
Transfers	(15,980)	31,536	6,626	22,182	24,925
<b>BALANCE AT END OF YEAR</b>	<b>\$ (110,146)</b>	<b>\$ 186,652</b>	<b>\$ 22,319</b>	<b>\$ 98,825</b>	<b>\$ 98,825</b>

**NUCHATLAHT FIRST NATION  
SOCIAL HOUSING PHASE I & II**

**STATEMENT OF CASH FLOWS  
YEAR ENDED MARCH 31, 2015**

	2015	2014
<b>OPERATING ACTIVITIES</b>		
Adjust for amortization which does not affect cash	\$ 31,536	\$ 30,881
Changes in non-cash working capital		
Decrease (Increase)		
Rents receivable	(2,799)	(4,854)
Increase (Decrease)		
Payable to operating fund	2,795	4,854
	(4)	-
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>31,532</b>	<b>30,881</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of long term debt	(31,536)	(30,881)
<b>DECREASE IN CASH</b>	<b>(4)</b>	<b>-</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>48,297</b>	<b>48,297</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 48,293</b>	<b>\$ 48,297</b>

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# NUCHATLAHT FIRST NATION SOCIAL HOUSING PHASE I & II

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## NOTES TO FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2015

### 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) These financial statements have been prepared in accordance with significant accounting policies set out below to comply with the Nuchatlaht First Nation agreement with Canada Mortgage and Housing Corporation (CMHC). The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles for local government entities, as outlined in the recommendations of the Public Sector Accounting Board (PSAB) of the Organization of Chartered Professional Accountants of Canada, modified for First Nations due to the following:

- (i) Capital assets purchased from accumulated surplus are charged to operations in the year the expense is incurred and capital assets purchased from the replacement reserve are charged against the replacement reserve account, rather than being capitalized on the statement of financial position and amortized over their estimated useful lives.
- (ii) Accounts receivable are recorded in accordance with accounting principles dictated by CMHC and do not include an allowance for doubtful accounts.

(b) Reporting entity and principles of financial reporting

These financial statements reflect only the the assets, liabilities and results of operations for Nuchatlaht First Nation Social Housing Phase I & II, and do not include any other assets, liabilities, revenue or expenses of Nuchatlaht First Nation.

(c) Capital assets

Capital assets are recorded at cost. Buildings are being amortized each year by an amount equal to the principal reduction in the related debt.

(d) Revenue recognition

Rental revenue is recognized when it becomes receivable.

### 2. FINANCIAL INSTRUMENTS

The First Nation's Social Housing financial instruments consists of cash - restricted, accounts receivable, rents receivable, accounts payable and accrued liabilities, long term debt and payable to operating fund. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments, the fair value of which approximates their carrying value, except as explained in note 4.



**NUCHATLAHT FIRST NATION  
SOCIAL HOUSING PHASE I & II**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2015**

**3. REPLACEMENT RESERVE AND RESTRICTED CASH**

(a) Replacement Reserve

Under the terms of the agreement with CMHC, the replacement reserve account is to be credited in the amount of \$6,626 annually. These funds, along with the 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.

The First Nation has fully complied with the agreement with CMHC for funding the reserve. At year end, \$48,293 was held in a separate replacement reserve bank account.

(b) Subsidy Surplus Reserve

Under the terms of the agreement with CMHC, excess federal assistance payments received may be retained in a subsidy surplus reserve up to a maximum of \$500 per unit plus interest. The reserve is to be comprised of monies deposited 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 this account may only be used to meet future subsidy requirements of income-tested occupants over and above the maximum federal assistance.

At year end, there were no funds held in the subsidy surplus reserve.

**4. RENTS RECEIVABLE**

Rents receivable are subject to credit risk and are from unsecured sources. Pursuant to the requirements of CMHC, an allowance for doubtful accounts has not been recorded. An allowance for doubtful accounts has been recorded in the Nuchatlaht First Nation consolidated financial statements.

**5. CAPITAL ASSETS**

	Cost	Accumulated amortization	Net 2015	Net 2014
Social Housing				
Land	\$ 70,500	\$ -	\$ 70,500	\$ 70,500
Buildings - Phase I & Phase II	629,926	389,113	240,813	272,349
	\$ 700,426	\$ 389,113	\$ 311,313	\$ 342,849

**NUCHATLAHT FIRST NATION  
SOCIAL HOUSING PHASE I & II**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2015**

**6. LONG TERM DEBT**

	2015	2014
All Nations Trust Company		
Phase I Social Housing Loan		
- interest at 2.56% compounded annually		
- renewing November 1, 2015		
- monthly payments of \$1,527 including principal and interest		
Principal outstanding	\$ 12,122	\$ 29,925
All Nations Trust Company		
Phase II Social Housing Loan		
- interest at 1.53% compounded semi-annually		
- renewing December 1, 2017		
- monthly payments of \$1,295 including principal and interest		
Principal outstanding	112,539	126,272
<b>Total long term debt</b>	<b>\$ 124,661</b>	<b>\$ 156,197</b>

The Social Housing loans are secured by a ministerial guarantee from the Department of Aboriginal Affairs and Northern Development Canada.

Scheduled principal reduction over the next five years is approximately as follows:

2016	\$ 26,023
2017	14,140
2018	14,357
2019	14,578
2020	14,801

**NUCHATLAHT FIRST NATION  
SOCIAL HOUSING PHASE I & II**

**STATEMENT OF OPERATIONS  
YEAR ENDED MARCH 31, 2015**

	2015	2014
<b>REVENUE</b>		
Rent	\$ 36,980	\$ 29,595
CMHC subsidies	10,145	10,145
Adjustment to prior year subsidies	-	(178)
	47,125	39,562
<b>EXPENSES</b>		
Accounting fees	3,500	3,500
Amortization	31,536	30,881
Insurance	8,245	5,414
Modernization and improvements	120	9,050
Mortgage interest	2,327	2,981
Repairs and maintenance	4,519	1,773
	50,247	53,599
<b>EXCESS OF EXPENSES</b>	(3,122)	(14,037)
<b>FUND TRANSFERS</b>		
Replacement reserve	(6,626)	(6,626)
Transfer from operating fund	22,182	24,925
	12,434	4,262
<b>DEFICIT AT BEGINNING OF YEAR</b>	(122,580)	(126,842)
<b>DEFICIT AT END OF YEAR</b>	\$ (110,146)	\$ (122,580)

**NUCHATLAHT FIRST NATION  
SOCIAL HOUSING PHASE I & II**

**STATEMENT OF EQUITY IN CAPITAL ASSETS  
YEAR ENDED MARCH 31, 2015**

	2015	2014
<b>EQUITY AT BEGINNING OF YEAR</b>	\$ 186,652	\$ 186,652
<b>ADDITION</b>		
Principal reduction in mortgages	31,536	30,881
<b>DEDUCTION</b>		
Amortization	(31,536)	(30,881)
<b>EQUITY AT END OF YEAR</b>	\$ 186,652	\$ 186,652

**STATEMENT OF REPLACEMENT RESERVE  
YEAR ENDED MARCH 31, 2015**

	2015	2014
<b>RESERVE AT BEGINNING OF YEAR</b>	\$ 34,753	\$ 39,015
<b>ADDITION</b>		
Transfer from operations	6,626	6,626
<b>DEDUCTION</b>		
Replacement reserve expenses	(19,060)	(10,888)
<b>RESERVE AT END OF YEAR</b>	\$ 22,319	\$ 34,753