

**Witset First Nation
CMHC Social Housing Program
Financial Statements**
March 31, 2022

**Witset First Nation
CMHC Social Housing Program
Contents**

For the year ended March 31, 2022

Page

Independent Auditor's Report

Financial Statements

Statement of Financial Position..... 1

Statement of Revenue, Expenses and Accumulated Surplus 2

Statement of Cash Flows..... 3

Notes to the Financial Statements..... 4

Independent Practitioner's Reasonable Assurance Report on Compliance

Independent Auditor's Report

To the members of Witset First Nation - CMHC Social Housing Program:

Opinion

We have audited the financial statements of Witset First Nation - CMHC Social Housing Program CMHC Social Housing Program (the "Program"), which comprise the statement of financial position as at March 31, 2022, and the statements of revenues and 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 of the Program for the year ended March 31, 2022 are prepared, in all material respects, in accordance with the financial reporting provisions of Section 95 of the funding agreements between Witset First Nation and the Canadian Housing and Mortgage Corporation (CMHC).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are those standards are further described in the Auditor's Responsibilities for the Audit of the Financial 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

We draw attention to Note 2 to the financial statements, which described the basis of accounting. The financial statements are prepared to assist the Program to comply with the financial statement provisions of the Section 95 agreement with CMHC. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Band and CMHC and should not be used by parties other than the Band and CMHC. Our opinion is not modified in respect of this matter.

Other Matter

The financial statement for the year ended March 31, 2021 were audited by another firm of public accountants who expressed an unmodified opinion on those statements on June 30, 2022.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, 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 the First Nation'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 the First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

MNP LLP

201-4630 Lazelle Avenue, Terrace BC, V8G 1S6

T: 250.635.4925 F: 250.635.4975

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 the First Nation'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 the First Nation'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 First Nation 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.

Terrace, British Columbia

March 31, 2023

MNP LLP

Chartered Professional Accountants

Witset First Nation
CMHC Social Housing Program
Statement of Financial Position
As at March 31, 2022

	2022	2021 <i>Restated (Note 12)</i>
Financial assets		
Cash	703,096	502,730
Accounts receivable (Note 3)	222,237	12,166
Restricted cash - operating reserve (Note 4)	192,200	222,250
Restricted cash - replacement reserve (Note 4)	372,582	167,020
Fixed Assets (Note 5)	3,049,707	3,189,041
	4,539,822	4,093,207
Liabilities		
Accounts payable and accruals	12,744	8,345
Due to Witset First Nation (Note 6)	922,836	488,360
Long-term debt (Note 7)	2,273,558	2,412,892
	3,209,138	2,909,597
Contingency (Note 8)		
Accumulated surplus (Note 9)	1,330,684	1,183,610

Approved on behalf of the Council:



Chief



Councillor

Witset First Nation
CMHC Social Housing Program
Statement of Revenue, Expenses and Accumulated Surplus
For the year ended March 31, 2022

	2022	2021
Revenue		
Rental income	121,272	121,452
Canada Mortgage and Housing Corporation - Operating subsidy	146,132	140,498
Canada Mortgage and Housing Corporation - Other income	210,000	-
Interest income	-	1,245
	477,404	263,195
Expenses		
CMHC supplementary (Note 4)	210,000	-
Interest on long-term debt	41,755	44,764
Replacement reserve allowance (Note 4)	32,400	30,600
Insurance	18,454	19,912
Administration	16,000	15,360
Repairs and maintenance	12,000	10,400
Utilities	10,645	5,790
Professional fees	9,450	6,000
Amortization	139,334	102,541
	490,038	235,367
Annual surplus (deficit)	(12,634)	27,828
Allocation from (to) operating reserve	12,634	(27,828)
Annual surplus before transfers	-	-
Transfers		
Transfer to replacement reserve (Note 4)	177,124	21,310
Transfer to (from) operating reserve (Note 4)	(30,050)	27,828
Annual surplus	147,074	49,138
Accumulated surplus, beginning of year	1,183,610	1,134,472
Accumulated surplus, end of year	1,330,684	1,183,610

The accompanying notes are an integral part of these financial statements

Witset First Nation
CMHC Social Housing Program
Statement of Cash Flows
For the year ended March 31, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	147,074	49,138
Non-cash items		
Amortization	139,334	102,541
Transfers to (from) operating reserve	30,050	(27,828)
Transfers to replacement reserve	(177,124)	(21,310)
CMHC adjustment	25,647	-
	164,981	102,541
Changes in working capital accounts		
Accounts receivable	(210,071)	(1,831)
Accounts payable and accruals	4,399	(217)
Restricted cash	(175,512)	-
	(216,203)	100,493
Financing activities		
Advances of current portion of long-term debt	-	134,990
Repayment of current portion of long-term debt	(139,334)	-
Advances to (from) Witset First Nation	555,903	(69,832)
	416,569	65,158
Capital activities		
Purchases of tangible capital assets	-	(219,147)
Increase (decrease) in cash resources	200,366	(53,496)
Cash resources, beginning of year	502,730	556,226
Cash resources, end of year	703,096	502,730

The accompanying notes are an integral part of these financial statements

**Witset First Nation
CMHC Social Housing Program
Notes to the Financial Statements**
For the year ended March 31, 2022

1. Description of operations

The purpose of Witset First Nation CMHC Social Housing Program (the "Program") is to administer a housing program for members of Witset First Nation. 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") and shortfalls are funded by Witset First Nation. To qualify for the subsidy from CMHC, the Program is required to collect income verification data from occupants and adjust rents accordingly.

2. Basis of presentation and significant accounting policies

These financial statements have been prepared in accordance with the financial reporting provisions of Sections 95 of the funding agreements between Witset First Nation and CMHC.

Basis of presentation

These financial statements include only the operations of Witset First Nation CMHC Program Housing Projects that are funded by CMHC and are administered by Witset First Nation. They do not include revenue, expenses, assets or liabilities related to other operations of the Witset First Nation.

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes receivable 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 and amortization

Fixed assets are recorded at initial acquisition cost. Subsequent to acquisition, replacements and betterments funded by the replacement reserve fund are charged to the replacement reserve fund rather than being capitalized and amortized over their estimated useful lives.

Amortization is provided on buildings purchased from loans insured by CMHC at a rate equal to the annual principal reduction of the loan. A replacement reserve is maintained to provide for future asset replacement.

Replacement reserve fund

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

Operating reserve fund

Any surpluses are retained in an operating reserve and reserved for future operating losses that relate to the operation of the houses under this program. Interest earnings are credited to, 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.

3. Accounts receivable

	2022	2021
CMHC subsidy receivable	222,237	12,166
Rent receivable	89,264	163,621
	311,501	175,787
Less: Allowance for doubtful accounts	89,264	163,621
	222,237	12,166

Witset First Nation
CMHC Social Housing Program
Notes to the Financial Statements
For the year ended March 31, 2022

4. Restricted cash and reserves

Under the terms of the agreements with CMHC, the replacement reserve account is to be credited in the amount of \$32,400 annually (2021 - \$30,600). 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 funds in the reserve consisted of the following:

Replacement Reserve	2022	2021
Reserve funds opening balance	167,020	145,710
Annual appropriation from operations	32,400	30,600
Eligible reserve expenses	(59,415)	(9,290)
Interest earned	2,370	-
Supplemental funding	210,000	-
CMHC adjustment	450	-
Other CMHC adjustments	(8,681)	-
Balance at year-end	344,144	167,020

At year end, the replacement reserve was adequately funded (2021 - adequately funded).

Under the terms of the agreements with CMHC, 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 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:

Operating Reserve	2022	2021
Reserve funds opening balance	222,250	194,422
Transfer to (from) fund	(12,634)	27,828
Other CMHC adjustments	(17,416)	-
Balance at year-end	192,200	222,250

At year end, the operating reserve was adequately funded (2021 - adequately funded).

5. Fixed assets

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>2022 Net Book Value</i>	<i>2021 Net Book Value</i>
Buildings	3,896,031	846,324	3,049,707	3,189,041

6. Due to Witset First Nation

The amounts due to Witset First Nation are unsecured, non-interest bearing, with no set terms of repayment.

Witset First Nation
CMHC Social Housing Program
Notes to the Financial Statements
For the year ended March 31, 2022

7. Long-term debt

Long-term debt comprises the following loans with All Nations Trust Company:

	2022	2021
Payable at \$2,737 per month, including interest at 2.22%, maturing October 2033. (Phase 1); secured by a Ministerial Guarantee.	335,291	360,417
Payable at \$2,122 per month, including interest at 1.35%, maturing May 2037. (Phase 2); secured by a Ministerial Guarantee.	349,091	369,700
Payable at \$2,370 per month, including interest at 2.06%, maturing November 2037. (Phase 3); secured by a Ministerial Guarantee.	380,672	401,069
Payable at \$1,745 per month, including interest at 1.88%, maturing February 2042. (Phase 4); secured by a Ministerial Guarantee.	347,901	362,837
Payable at \$2,182 per month, including interest at 2.13%, maturing October 2042. (Phase 5); secured by a Ministerial Guarantee.	436,295	453,027
Payable at \$1,742 per month, including interest at 0.73%, maturing July 2045. (Phase 6); secured by a Ministerial Guarantee.	424,308	465,842
	2,273,558	2,412,892

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:

2023	116,730
2024	118,794
2025	120,898
2026	123,224
2027	125,230
	604,876
Thereafter	1,668,682
Total	2,273,558

8. Contingency

CMHC conducts an annual review of the Program's financial statements and may adjust for any operating surplus or deficit. Funding adjustments are recognized in the fiscal year in which they are determined.

**Witset First Nation
CMHC Social Housing Program
Notes to the Financial Statements**
For the year ended March 31, 2022

9. Accumulated surplus

Accumulated surplus consists of the following:

	2022	2021
Replacement Reserve Post-1996 Program (Note 4)	344,144	167,020
Operating Reserve Post-1996 Program (Note 4)	192,200	222,250
Contributed surplus	794,340	794,340
	1,330,684	1,183,610

10. Economic dependence

Witset First Nation CMHC Social Housing Program is economically dependent on the subsidies it receives from Canada Mortgage and Housing Corporation (CMHC). Continued receipt of the subsidies from CMHC is dependent upon the projects being managed and operated within the terms and conditions of the operating agreements that have been made with CMHC. As at the date of these financial statements, the Program believes that it is in compliance with these terms and conditions.

11. Comparative figures

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

12. Correction of an error

During the year, the Program uncovered an error for the year ended March 31, 2021 where Replacement reserve was presented as a liability and has been adjusted to accumulated surplus. The error has been corrected retrospectively and the comparative figures have been restated as follows:

- Replacement reserve (liability) decreased by \$167,020
- Replacement reserve (accumulated surplus) increased by \$167,020
- Accumulated surplus increased by \$167,020