

**WITSET FIRST NATION
SOCIAL HOUSING - POST 1996 PROGRAMS**

FINANCIAL STATEMENTS

MARCH 31, 2019

**WITSET FIRST NATION
SOCIAL HOUSING - POST 1996 PROGRAMS**

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MARCH 31, 2019

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**INDEPENDENT AUDITOR'S REPORT****TO THE WITSET FIRST NATION - SOCIAL HOUSING****Report on the Financial Statements**

We have audited the accompanying balance sheet of the Witset First Nation - Social Housing Post-1996 Programs as at March 31, 2019 and the statements of revenue and expenditure, cash flows and a summary of significant accounting policies.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free of 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 the audit in accordance with Canadian generally accepted auditing standards. These standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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 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 the Witset First Nation - Social Housing Post-1996 Programs as at March 31, 2019 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Smithers, BC
August 8, 2019

Carlyle Shepherd & Co.

AUDITORS' REPORT ON COMPLIANCE WITH AGREEMENT

TO: CANADA MORTGAGE AND HOUSING CORPORATION

We have audited Witset First Nation Social Housing's compliance on Post-1996 Programs as at March 31, 2019, with the criteria established in:

- 1) Paragraph 10(2)(g) of the First Nation's Operating Agreement with CMHC in respect of funding and maintenance of the Operating Reserve and the interest income related thereto.
- 2) Paragraph 10(2)(e) of the First Nation's Operating Agreement with CMHC in respect of funding and maintenance of the Replacement Reserve and the interest income related thereto.
- 3) Schedule 10(2)(f) in respect of:
 - (1) Disbursements from the Replacement Reserve Fund for items of a capital nature in accordance with the criteria.
 - (2) Procurement requirements have been adhered to.

Management's Responsibility for Compliance with Agreement

Management is responsible for compliance with the criteria established by the provisions of the Operating Agreement, and for such internal control as management determines is necessary to enable the compliance to be free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance 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 Witset First Nation Social Housing complied with the criteria established by the provisions of the Operating Agreement referred to above.

An audit involves performing procedures to obtain audit evidence supporting compliance with the agreement. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement. In making those risk assessments, the auditor considers internal control relevant to the entity's compliance with the agreement 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, Witset First Nation Social Housing is in compliance, in all material respects, with the criteria set out in the Operating Agreement referred to above.

Smithers, BC
September 10, 2019.

Carlyle Shepherd & Co.

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BALANCE SHEET

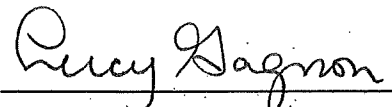
MARCH 31

ASSETS

	2019	2018
	\$	\$
CURRENT		
Cash		
Operating	229,718	73,435
Restricted	297,510	249,360
Accounts receivable - subsidy	<u>22,944</u>	<u>10,314</u>
	<u>550,172</u>	<u>333,109</u>
PROPERTY (note 1)		
Buildings	3,672,425	3,328,944
Accumulated amortization	<u>510,261</u>	<u>417,541</u>
	<u>3,162,164</u>	<u>2,911,403</u>
	<u>3,712,336</u>	<u>3,244,512</u>

APPROVED BY THE COUNCIL

 Chief Councillor

 Band Administrator

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BALANCE SHEET

MARCH 31

LIABILITIES AND EQUITY

	2019	2018
	\$	\$
CURRENT		
Accounts payable and accruals	3,370	3,861
Due to Witset First Nation	240,039	80,284
Long-term debt, current portion	<u>96,888</u>	<u>92,640</u>
	<u>340,297</u>	<u>176,785</u>
 NON-CURRENT		
Long-term debt (note 2)	2,270,946	2,137,447
Replacement reserve (note 3)	<u>135,815</u>	<u>121,989</u>
	<u>2,406,761</u>	<u>2,259,436</u>
 EQUITY		
Contributed Surplus	794,340	680,920
Operating Reserve fund (note 4)	<u>170,938</u>	<u>127,371</u>
	<u>965,278</u>	<u>808,291</u>
	<u>3,712,336</u>	<u>3,244,512</u>

**WITSET FIRST NATION
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STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

	2019	2018
	\$	\$
REVENUE		
CMHC subsidy	136,441	110,252
Interest	4,142	-
Rental	<u>104,064</u>	<u>94,248</u>
	<u>244,647</u>	<u>204,500</u>
EXPENDITURES		
Administration	13,680	12,420
Amortization	92,720	82,292
Audit	5,000	4,780
Insurance	8,552	6,700
Mortgage interest	40,258	33,533
Repairs and maintenance	8,800	8,043
Replacement reserve	27,000	24,300
Utilities	<u>5,070</u>	<u>4,780</u>
	<u>201,080</u>	<u>176,848</u>
REVENUE OVER EXPENDITURE	43,567	27,652
TRANSFER TO OPERATING RESERVE FUND	-43,567	-27,652
OPENING SURPLUS	<u>-</u>	<u>-</u>
CLOSING SURPLUS	<u>-</u>	<u>-</u>

**WITSET FIRST NATION
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STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	43,567	27,652
Amortization	92,720	82,292
Accounts payable and accruals	-491	-1,793
Accounts receivable	-12,630	-2,159
Due to Witset First Nation	-70,306	-445,700
	<u>52,860</u>	<u>-339,708</u>
FINANCING ACTIVITIES		
Long-term debt	367,808	424,934
Replacement reserve	13,826	14,342
	<u>381,634</u>	<u>439,276</u>
INVESTING ACTIVITIES		
Property and equipment additions	-343,481	-118,395
CHANGE IN CASH	204,433	-18,827
OPENING CASH BALANCE	<u>322,795</u>	<u>341,622</u>
CLOSING CASH BALANCE	<u>527,228</u>	<u>322,795</u>
Operating	229,718	73,435
Restricted	297,510	249,360
	<u>527,228</u>	<u>322,795</u>

**WITSET FIRST NATION
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1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared using the fund accounting method and guidelines issued by the Canada Mortgage and Housing Corporation.

a) Property and Equipment

Property is reported at cost including CMHC approved land values.

Property and equipment are amortized at an amount equal to the annual principal reduction of the related mortgage.

b) Accrual Accounting

Revenue and expenditures are reported on an accrual basis.

c) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from these estimates.

d) Financial Instruments

The social housing function measures financial assets and liabilities at market value at the date of acquisition. It is management's opinion that the social housing function's financial instruments are not exposed to significant interest rate, liquidity, market or other price risks except for interest rate changes on the mortgages.

e) Cash

Cash is restricted for replacement and operating reserve purposes.

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2. LONG-TERM DEBT

All Nations Trust Company, secured by housing units

\$1,675/month including interest at 1.44% per annum.	\$ 392,164
\$2,370/month including interest at 2.06% per annum.	440,630
\$2,122/month including interest at 1.35% per annum.	410,093
\$2,737/month including interest at 2.11% per annum.	409,035
\$2,182/month including interest at 2.13% per annum.	485,445
No specific payment plan, interest at 1.93% per annum	<u>230,467</u>

2,367,834

96,888

Current portion

Non-current portion

\$ 2,270,946

Principal repayment during the next five years is as follows:

2020	\$ 96,888
2021	103,275
2022	105,224
2023	107,213
2024	<u>109,240</u>
	<u>\$ 521,840</u>

3. REPLACEMENT RESERVE

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the replacement reserve account is to be credited with an annual charge against earnings. These funds, 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 approved by CMHC. As at March 31, 2019, the required funds are in a separate bank account.

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3. REPLACEMENT RESERVE (continued)

Opening balance	\$ 121,989
Current provision	27,000
Expenditure	<u>-13,174</u>
Closing balance	<u>\$ 135,815</u>

4. OPERATING RESERVE FUND

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the annual operating surplus is required to be transferred to the Operating Reserve fund. The fund is to be charged if an operating deficit should occur.

Opening balance	\$ 127,371
Transfer	<u>43,567</u>
Closing balance	<u>170,938</u>