

Ahousaht
(CMHC Social Housing)

Financial Statements

March 31, 2022

**Ahousaht
(CMHC Social Housing)**

Financial Statements

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Independent Auditors' Report

To the Chief and Council of Ahousaht

Opinion

We have audited the financial statements of Ahousaht - CMHC Social Housing, which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net assets 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 the Ahousaht - CMHC Social Housing as at March 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with the financial reporting provisions of the mortgage agreements between Ahousaht - CMHC Social Housing and Canada Mortgage and Housing Corporation (CMHC) ("the Mortgage Agreements").

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Ahousaht First Nation 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 of Use

We draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Ahousaht – CMHC Social Housing to comply with the financial reporting provisions of the Operating Agreements. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter. Our report is intended solely for Ahousaht First Nation and CMHC and should not be used by parties other than Ahousaht First Nation and CMHC.

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 the provisions of the mortgage agreements between Ahousaht - CMHC Social Housing 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 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 Ahousaht - CMHC Social Housing 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.

Independent Auditors' Report (continued)

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

Vancouver, Canada
October 5, 2022



Chartered Professional Accountants

Ahousaht
(CMHC Social Housing)

Statement of Operations

For the year ended March 31,	2022	2021
Revenues		
Canada Mortgage and Housing Corporation - Subsidies	\$ 84,879	\$ 84,381
Ahousaht Contribution	18,320	4,442
Rental	78,880	92,758
	182,079	181,581
Expenditures		
Administration	35,220	37,578
Amortization	85,654	83,444
Insurance	8,173	8,173
Interest	21,715	22,325
Professional fees	4,400	4,400
Repairs and maintenance	9,077	7,821
Replacement reserve allocation	17,840	17,840
	182,079	181,581
Excess of revenues over expenditures	\$ -	\$ -

**Ahousaht
(CMHC Social Housing)**

Statement of Changes in Net Assets

	Balance, beginning of year	Loan payments	Excess (deficiency) of revenues over expenditures	2022 Balance, end of year	2021 Balance, end of year
Unrestricted	\$ 101	\$ (85,654)	\$ 85,654	\$ 101	\$ 101
Capital assets	461,961	85,654	(85,654)	461,961	461,961
	\$ 462,062	\$ -	\$ -	\$ 462,062	\$ 462,062

Ahousaht
(CMHC Social Housing)

Statement of Financial Position

March 31, 2022 2021

Assets

Current

Cash	\$ 1,835,828	\$ 1,313,172
Accounts receivable	6,967	6,967

1,842,795 1,320,139

Restricted cash (note 4)	767,285	448,888
Property (note 5)	1,685,233	1,770,887

\$ 4,295,313 **\$ 3,539,914**

Liabilities

Current

Accounts payable and accrued liabilities	\$ 12,461	\$ 12,461
Due to Ahousaht (note 9)	2,165,248	1,344,433

2,177,709 1,356,894

Long-term debt (note 6)	1,223,271	1,308,925
CMHC replacement reserve (note 7)	205,222	186,212
CMHC operating reserve (note 8)	227,049	225,821

3,833,251 3,077,852

Changes in Net Assets

Unrestricted	101	101
Capital assets	461,961	461,961

462,062 462,062

\$ 4,295,313 **\$ 3,539,914**

Approved on behalf of the Chief and Council:

	Chief
	Councilor

Ahousaht
(CMHC Social Housing)

Statement of Cash Flows

For the year ended March 31,	2022	2021
Cash provided by (used for)		
Operating activities		
Excess of revenues over expenditures	\$ -	\$ -
Item not affecting cash		
Amortization	85,654	83,444
	85,654	83,444
Change in non-cash working capital items		
Accounts receivable	-	65
Accounts payable and accrued liabilities	-	120
Due to Ahousaht	820,815	394,093
	906,469	477,722
Financing activities		
Repayment of long-term debt	(85,654)	(83,444)
Increase in CMHC replacement reserve	19,010	18,892
Increase in CMHC operating reserve	1,228	727
	(65,416)	(63,825)
Investing activity		
Restricted cash	(318,397)	(121,231)
Increase in cash	522,656	292,666
Cash, beginning of year	1,313,172	1,020,506
Cash, end of year	\$ 1,835,828	\$ 1,313,172

Ahousaht
(CMHC Social Housing)

Notes to the Financial Statements

March 31, 2022

1. Nature of operations

Ahousaht CMHC Social Housing program's (the "Program") purpose is to administer a housing program for members of Ahousaht. 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 Ahousaht.

2. Basis of preparation

These financial statements have been prepared in accordance with the significant accounting policies set out below and comply with Section 95 Project Operating Agreements with Canada Mortgage and Housing Corporation ("CMHC"). The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles as follows:

- (i) Amortization is recorded on buildings purchased from loans provided by CMHC at a rate equal to the principal reduction of the mortgage rather than over the useful life of the asset;
- (ii) capital asset purchases are charged to operations in the year expenditures are incurred; and
- (iii) a reserve for future capital replacement is appropriated annually from operations.

3. Significant accounting policies

(a) Revenue recognition

Rental revenue is recognized when a tenant commences occupancy and rent is due. Ahousaht – CMHC Social Housing retains all benefits and risks of ownership of its property and, therefore, accounts for leases with tenants as operating leases.

Rental subsidy revenue is recognized in the same manner as rental revenue.

(b) Property

Property is recorded at cost. Amortization is recorded in an amount equal to the annual principal reduction of the related mortgages.

**Ahousaht
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Notes to the Financial Statements

March 31, 2022

3. Significant accounting policies (continued)

(c) Financial instruments

The Ahousaht - CMHC Social Housing's financial instruments consist of cash, accounts payable, long-term debt, and funded reserves. Unless otherwise noted it is management's opinion that the Ahousaht - CMHC Social Housing is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

(d) Use of estimates and COVID-19 uncertainty

In preparing these financial statements, management made estimates and judgements including consideration for the uncertainties and economic implications of the COVID-19 pandemic on the First Nation's operations, financial performance and financial position for the year ended March 31, 2022. The uncertainty surrounding the COVID-19 pandemic could generate, in future reporting periods, a significant risk of material adjustment to the carrying amounts in the financial statements. Estimates not associated with the COVID-19 pandemic are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

At the date of publication of these financial statements, it is not possible to reliably estimate the length and severity of the COVID-19 pandemic developments and its potential impact on the First Nation's financial results, conditions and cash flows.

(e) Reserves

The operating reserve account is funded by operating surpluses accumulated on the operations on the Post-1996 housing program. These funds may be utilized to recover future year's deficits.

The replacement reserve account is funded by an annual charge against surplus as opposed to an appropriation of surplus.

4. Restricted cash

	2022	2021
CMHC replacement reserve	\$ 440,858	\$ 223,630
CMHC operating reserve	326,427	225,258
	\$ 767,285	\$ 448,888

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Notes to the Financial Statements

March 31, 2022

5. Property

	2022		2021	
	Cost	Accumulated amortization	Net book value	Net book value
Post 1996 housing	\$ 2,624,767	\$ 939,534	\$ 1,685,233	\$ 1,770,887

Amortization for the year amounted to \$85,654 (2021 - \$83,444).

6. Long-term debt

	2022		2021	
Demand loan - Royal Bank of Canada, repayable at \$2,243 per month including interest at 3.06% per annum, due on demand, secured by Ministerial guarantee.		\$ 164,143		\$ 185,681
Loan - All Nations Trust, lender for CMHC housing, repayable at \$6,696 per month including interest at 1.57% per annum, due December 1, 2026, secured by a Ministerial guarantee.		1,059,128		1,123,244
		\$ 1,223,271		\$ 1,308,925

Estimated principal repayments are as follows:

2023	\$ 90,092
2024	90,092
2025	90,092
2026	90,092
2027	90,092
Subsequent years	772,811
	\$ 1,223,271

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7. CMHC replacement reserve

Under the terms of the operating agreements with CMHC, the replacement reserve is to be credited annually with agreed amounts. These funds, along with accumulated interest, must be held in a separate bank account, and invested in accounts or instruments insured by Canada Deposit Insurance Corporation, or otherwise approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then to principal. At the year end date, the reserve was overfunded by \$235,637 (2021 - overfunded by \$37,418).

During the year the Nation disbursed \$nil (2021 - \$nil), in capital expenses from the Nation's replacement reserve in accordance with the criteria for capital expenses as outlined in the operating agreement between CMHC and the Nation.

At year end, the funds in the replacement reserve consisted of:

	2022	2021
Post 1996 Program - opening balance	\$ 186,212	\$ 167,320
Interest earned	1,170	1,052
Annual appropriation	17,840	17,840
	\$ 205,222	\$ 186,212

8. CMHC operating reserve

Under the terms of the operating agreement with CMHC, any annual operating surplus may be retained in an operating reserve, to be drawn against in the event of any future deficits. These funds, along with accumulated interest, must be deposited in a separate bank account. Funds may only be invested in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. At the year-end date the balance of the Operating Reserve account consisted of:

	2022	2021
Operating Reserve fund Post 1996 - opening balance	\$ 225,821	\$ 225,094
Interest earned	1,228	727
	\$ 227,049	\$ 225,821

At year-end, the operating reserve was overfunded by \$99,378 (2021 - underfunded by \$563).

9. Due to Ahousaht

The balance is non-interest bearing with no specific terms of repayment.

**Ahousaht
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10. Economic dependence

Ahousaht - CMHC Social Housing is economically dependent on the subsidies it receives from 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, with the exception of the operating reserve not being adequately funded.