

Financial Statements of

**TOBACCO PLAINS INDIAN BAND  
SOCIAL HOUSING PROGRAM**

Year ended March 31, 2019



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## INDEPENDENT AUDITORS' REPORT

To Chief and Council of Tobacco Plains Indian Band

### ***Opinion***

We have audited the financial statements of the Tobacco Plains Indian Band Social Housing Program (the "Social Housing Program"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2019 of the Social Housing Program are prepared, in all material respects, in accordance with the financial reporting provisions of the Section 95 operating agreement, dated March 27, 2012, between Tobacco Plains Indian Band and 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of Tobacco Plains Indian Band 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.



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### ***Emphasis of Matter - Financial Reporting Framework***

We draw attention to Note 1(a) to the financial statements, which describes the applicable financial reporting framework and the significant differences between the financial reporting framework and Canadian accounting standards for not-for-profit organizations.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect to this matter.

### ***Other Matter - Restriction on Use***

Our report is intended solely for Chief and Council of Tobacco Plains Indian Band and CMHC and should not be used by parties other than Chief and Council of Tobacco Plains Indian Band and CMHC.

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

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of the Section 95 operating agreement between Tobacco Plains Indian Band 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 Social Housing Program'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 Social Housing Program or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Social Housing Program's financial reporting process.

### ***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 the 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.



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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 Social Housing Program'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 Social Housing Program'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 Social Housing Program to cease to continue as a going concern.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'.

Chartered Professional Accountants

Kelowna, Canada

July 23, 2019

# TOBACCO PLAINS INDIAN BAND SOCIAL HOUSING PROGRAM

Statement of Financial Position

March 31, 2019, with comparative figures for 2018

	2019	2018
<b>Assets</b>		
Current assets:		
Cash - operating reserve	\$ 44,534	\$ 18,346
Canada Mortgage and Housing Corporation receivable	2,322	2,291
	<u>46,856</u>	<u>20,637</u>
Restricted cash - replacement reserve (note 2)	27,668	22,173
Tangible capital assets (note 3)	876,643	904,190
	<u>\$ 951,167</u>	<u>\$ 947,000</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,501	\$ 7,191
Deferred revenue	2,340	5,409
Due to Tobacco Plains Indian Band (note 4)	118,020	87,173
Current portion of mortgage	27,093	26,547
	<u>150,954</u>	<u>126,320</u>
Mortgage (note 5)	636,078	663,232
Replacement reserve (note 2)	27,668	22,173
	<u>814,700</u>	<u>811,725</u>
Net assets:		
Invested in tangible capital assets	213,472	214,411
Unrestricted	(77,005)	(79,136)
	<u>136,467</u>	<u>135,275</u>
	<u>\$ 951,167</u>	<u>\$ 947,000</u>

See accompanying notes to financial statements.

On behalf of Chief and Council:

Mary Mahseela Chief

Dan Gravelle Council member

# TOBACCO PLAINS INDIAN BAND SOCIAL HOUSING PROGRAM

## Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Canada Mortgage and Housing Corporation:		
Subsidy	\$ 27,519	\$ 27,488
Rent	32,867	32,192
Interest	150	128
Contribution from Tobacco Plains Indian Band	-	2,291
	<u>60,536</u>	<u>62,099</u>
Expenses:		
Amortization	27,547	27,012
Insurance	3,648	3,714
Mortgage interest	13,778	14,216
Office and general	1,740	1,258
Professional fees	2,300	6,000
Repairs and maintenance	3,494	4,291
Replacement reserve appropriation	5,400	5,400
Salaries and benefits	1,437	2,006
	<u>59,344</u>	<u>63,897</u>
Excess (deficiency) of revenue over expenses	<u>\$ 1,192</u>	<u>\$ (1,798)</u>

See accompanying notes to financial statements.

# TOBACCO PLAINS INDIAN BAND SOCIAL HOUSING PROGRAM

## Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

	Invested in tangible capital assets	Unrestricted	Total 2019	Total 2018
Balance, beginning of year	\$ 214,411	\$ (79,136)	\$ 135,275	\$ 137,073
Excess (deficiency) of revenue over expenses	(27,547)	28,739	1,192	(1,798)
Repayment of mortgage	26,608	(26,608)	-	-
Balance, end of year	\$ 213,472	\$ (77,005)	\$ 136,467	\$ 135,275

See accompanying notes to financial statements.

# TOBACCO PLAINS INDIAN BAND SOCIAL HOUSING PROGRAM

## Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Cash received from residents, subsidies and contributions	\$ 57,436	\$ 57,072
Cash paid to suppliers	(21,720)	(17,882)
Interest paid	(13,768)	(14,302)
	<u>21,948</u>	<u>24,888</u>
Financing activities:		
Repayment of mortgage	(26,608)	(26,074)
Increase in replacement reserve	5,495	5,457
Net advances from Tobacco Plains Indian Band	30,848	16,508
	<u>9,735</u>	<u>(4,109)</u>
Investing activities:		
Increase in restricted cash - replacement reserve	(5,495)	(5,457)
Increase in cash - operating reserve	26,188	15,322
Cash - operating reserve, beginning of year	18,346	3,024
Cash - operating reserve, end of year	<u>\$ 44,534</u>	<u>\$ 18,346</u>

See accompanying notes to financial statements.



# TOBACCO PLAINS INDIAN BAND SOCIAL HOUSING PROGRAM

Notes to Financial Statements

Year ended March 31, 2019

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## 1. Significant accounting policies:

### (a) Basis of presentation:

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with Section 95 of the operating agreement dated March 1, 2014 between Tobacco Plains Indian Band (the "Band") and the Canada Mortgage and Housing Corporation ("CMHC"). The basis of accounting used in these financial statements materially differs from Canadian accounting standards because:

(i) amortization is not calculated on the building, purchased through a mortgage recognized by CMHC, based on the estimated useful life of this asset. Rather amortization is calculated at a rate equal to the annual principal reduction of the mortgage;

### (ii) tangible capital assets:

- tangible capital assets purchased from prior years' surpluses are expensed to operations in the year the expenditure is incurred, and
- tangible capital assets purchased from the replacement reserve (note 2) are charged against the replacement reserve account, rather than being capitalized on the balance sheet and amortized over their estimated useful lives;

(iii) a reserve for future capital replacement is appropriated annually from operations; and

(iv) a reserve for bad debts or allowance for doubtful accounts is not permitted by CMHC.

### (b) Tangible capital assets:

Tangible capital assets are recorded at cost, less accumulated amortization. Amortization is provided on buildings at a rate equal to the principal reduction of the related mortgage. Amortization is provided on equipment using a declining balance method and an annual rate of 20%.

When a tangible capital asset no longer contributes to the Social Housing Program's ability to provide services, its carrying amount is written down to its net recoverable amount with no reversals of such write downs in subsequent periods.

# TOBACCO PLAINS INDIAN BAND SOCIAL HOUSING PROGRAM

Notes to Financial Statements (continued)

Year ended March 31, 2019

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## 1. Significant accounting policies (continued):

(c) Replacement of equipment:

A provision for replacement of equipment is provided by an annual expense against revenues earned in the replacement reserve.

(d) Accounts receivable:

CMHC does not allow or recognize bad debts recorded in the financial statements and will not subsidize rental arrears.

(e) Revenue recognition:

Rental revenue is recognized in accordance with the terms of the applicable rental agreements, when collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the rent is fixed or determinable. Subsidy and grant revenue is recorded in the period the amounts are received and related expenditures have been incurred.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

# TOBACCO PLAINS INDIAN BAND SOCIAL HOUSING PROGRAM

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 2. Restricted cash - replacement reserve:

Under the terms of the Band's agreement with CMHC, the replacement reserve account is to be credited by an amount determined on an annual basis. The amount credited to the replacement reserve account for the year was \$5,400 (2018 - \$5,400). The change in replacement reserve is calculated as follows:

	2019	2018
Balance, beginning of year	\$ 22,173	\$ 16,716
Contributions	5,400	5,400
Interest	95	57
Balance, end of year	\$ 27,668	\$ 22,173

## 3. Tangible capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Buildings	\$ 1,000,802	\$ 126,911	\$ 873,891	\$ 900,499
Equipment	9,164	6,411	2,752	3,691
	\$ 1,009,966	\$ 133,322	\$ 876,643	\$ 904,190

## 4. Due to Tobacco Plains Indian Band:

The amount due to the Tobacco Plains Indian Band (Administration Fund) is unsecured, non-interest bearing and has no stated terms of repayment. The Band has committed to fund any operative deficit in the Social Housing Program, in accordance with its agreement with CMHC.

# TOBACCO PLAINS INDIAN BAND

## SOCIAL HOUSING PROGRAM

Notes to Financial Statements (continued)

Year ended March 31, 2019

### 5. Mortgage:

	2019	2018
Mortgage, repayable in monthly installments of \$3,396 including interest at 2.14%, maturing March 2039, secured by a guarantee by Indigenous Services Canada	\$ 663,171	\$ 689,779
Less current portion	27,093	26,547
	<u>\$ 636,078</u>	<u>\$ 663,232</u>

Scheduled principal repayments over the next five years are approximately as follows:

2020	\$ 27,100
2021	27,700
2022	28,200
2023	28,800
2024	29,400

### 6. Related party transactions:

The Band collected rents and pays for certain purchases and tangible capital asset additions on behalf of the Social Housing Program. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### 7. Financial risks

Unless otherwise noted, that the Social Housing Program is not subject to significant interest rate risk as its mortgage has a fixed rate of interest. The maximum credit risk exposure of the Social Housing Program's financial assets is the carrying value of the asset.

### 8. Comparative information:

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.