

**DZAWADA'ENUXW FIRST NATION  
SOCIAL HOUSING PROJECT**

**March 31, 2018**

**Financial Statements of:**

**DZAWADA'ENUXW FIRST NATION  
SOCIAL HOUSING PROJECT**

**Year ended March 31, 2018**

**Independent Auditors' Report  
Statement of Financial Position  
Statement of Operations  
Statement of Cash Flows  
Statement of Funded Reserves  
Notes to Financial Statements  
Auditors' Report on Compliance With Agreement**

## INDEPENDENT AUDITORS' REPORT

To the Members of Dzawada'enuxw First Nation:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Dzawada'enuxw First Nation's Social Housing Operation, which comprise the statement of financial position, statement of revenue and expenses, statement of cash flows and statement of funded reserves as at March 31, 2018, and the related summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of Dzawada'enuxw First Nation based on the funding agreement between Dzawada'enuxw First Nation's Social Housing Operation and Canada Mortgage and Housing Corporation (CMHC).

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

Management is responsible for the preparation of these financial statements in accordance with the funding agreement between Dzawada'enuxw First Nation's Social Housing Operation 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.

### *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 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements of Dzawada'enuxw First Nation's Social Housing Operation for the year ended March 31, 2018 prepared, in all material respects, in accordance with the funding agreement between Dzawada'enuxw First Nation's Social Housing Operation and CMHC.

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

Without modifying our opinion, we draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Dzawada'enuxw First Nation's Social Housing Operation to comply with the reporting provisions of the funding agreement referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the members of the Dzawada'enuxw First Nation and CMHC and should not be used by parties other than the members of the Dzawada'enuxw First Nation and CMHC.

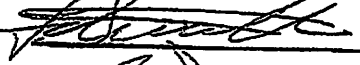

Campbell River, B.C.  
October 23, 2018

  
Chartered Professional Accountants

**DZAWADA'ENUXW FIRST NATION**  
**SOCIAL HOUSING PROJECT**  
**STATEMENT OF FINANCIAL POSITION - MARCH 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>	\$	\$
<b>Current</b>		
Cash		
Restricted cash deposits (Note 2)	191,194	176,760
Accounts receivable (Note 3)	15,502	—
	<u>151,845</u>	<u>145,107</u>
<b>Property And Equipment (Note 4)</b>	358,541	321,867
	<u>559,572</u>	<u>614,561</u>
	<u>918,113</u>	<u>936,428</u>
 <b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable	3,000	3,000
Deferred revenue	115,124	115,124
Security deposits	2,250	2,250
	<u>120,374</u>	<u>120,374</u>
<b>Long Term Debt (Note 5)</b>	106,625	161,614
<b>Due To Dzawada'enuxw First Nation (Note 6)</b>	627,408	616,852
	<u>854,407</u>	<u>898,840</u>
 <b>EQUITY</b>		
Replacement Reserve	28,111	15,485
Contributed Surplus	453,034	453,034
Surplus (Deficit)	(417,439)	(430,931)
	<u>63,706</u>	<u>37,588</u>
	<u>918,113</u>	<u>936,428</u>

On behalf of the Band Council:

  
 \_\_\_\_\_ Councillor  
  
 \_\_\_\_\_ Band Manager

**DZAWADA'ENUXW FIRST NATION**  
**SOCIAL HOUSING PROJECT**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED MARCH 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>Revenue</b>	<b>\$</b>	<b>\$</b>
Rental revenue	80,440	56,378
Administration fees	7,200	6,200
Canada Mortgage and Housing Corporation - subsidy	29,673	35,927
Insurance refund	---	525
Retrofit Initiative	---	75,000
Enhanced Assistance	---	70,000
Dzawada'enuxw contribution - 16/17	---	27,474
	<u>117,313</u>	<u>271,504</u>
<b>Expenses</b>		
Administration	7,039	6,088
Amortization	54,989	72,544
Enhanced Assistance	---	70,000
Insurance	12,679	12,295
Interest on long term debt	3,061	4,478
Materials and supplies	---	1,344
Professional fees	3,000	---
Repairs and maintenance	1,130	10,862
Retrofit Initiative	---	75,000
Replacement reserve	21,923	18,893
	<u>103,821</u>	<u>271,504</u>
<b>Net Income</b>	<b>13,492</b>	<b>---</b>
<b>Surplus (Deficit) - Beginning Of Year</b>	<b><u>(430,931)</u></b>	<b><u>(430,931)</u></b>
<b>Surplus (Deficit) - End Of Year</b>	<b><u>(417,439)</u></b>	<b><u>(430,931)</u></b>

**DZAWADA'ENUXW FIRST NATION**  
**SOCIAL HOUSING PROJECT**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>CASH PROVIDED BY (USED IN):</b>	<b>\$</b>	<b>\$</b>
<b>Operating Activities</b>		
Net income	13,492	---
Charges to income not involving cash:		
Amortization	54,989	72,544
Replacement reserve	<u>21,923</u>	<u>18,893</u>
	90,404	91,437
 Change in non-cash working capital balances:		
Accounts receivable	<u>(6,738)</u>	<u>15</u>
	<u>83,666</u>	<u>91,452</u>
 <b>Financing Activities</b>		
Change in due from Dzawada'enuxw First Nation	10,556	(226,138)
Repayment of long term debt	<u>(54,989)</u>	<u>(72,456)</u>
	<u>(44,433)</u>	<u>(298,594)</u>
 <b>Investing Activities</b>		
Interest earned on restricted cash	245	40
CMHC Adjustment	---	10,872
Replacement reserve expenses	<u>(9,542)</u>	<u>(13,959)</u>
	<u>(9,297)</u>	<u>(3,047)</u>
 Change In Cash During Year	29,936	(210,189)
Cash - Beginning Of Year	<u>176,760</u>	<u>386,949</u>
 Cash - End Of Year	<u>206,696</u>	<u>176,760</u>
 <b>Cash Represented By:</b>		
Cash	191,194	176,760
Restricted Cash	<u>15,502</u>	<u>---</u>
	<u>206,696</u>	<u>176,760</u>

**DZAWADA'ENUXW FIRST NATION**  
**SOCIAL HOUSING PROJECT**  
**STATEMENT OF FUNDED RESERVES**  
**YEAR ENDED MARCH 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>Replacement Reserve (Note 2)</b>	<b>\$</b>	<b>\$</b>
Balance - Beginning Of Year	15,485	(361)
Interest Income For Year	245	40
Allocation For Year	21,923	18,893
Expenditure For Year	(9,542)	(13,959)
CMHC Adjustment	<u>---</u>	<u>10,872</u>
Balance - End Of Year	<u>28,111</u>	<u>15,485</u>
 <b>Subsidy Surplus Reserve</b>		
Balance - Beginning And End Of Year	<u>---</u>	<u>---</u>

**DZAWADA'ENUXW FIRST NATION**  
**SOCIAL HOUSING PROJECT**  
**NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2018**

These financial statements include only the assets, liabilities and operating results of the Social Housing Project of the Dzawada'enuxw First Nation. They do not include all of the assets, liabilities and operating results of the First Nation. These financial statements have been prepared for the use of Canada Mortgage and Housing Corporation. A complete set of audited financial statements are available to members of the First Nation.

**1. Significant Accounting Policies**

**a) Tangible Capital Assets**

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods and delivering services.

Certain assets which have historical value, including works of art, historical documents and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

In previous years, certain tangible capital assets acquired subsequent to April 1, 1996 by the First Nation had been reported on the Statement of Financial Position at acquisition cost less amortization. Commencing in 2009, all tangible capital assets in use have been included in the Statement of Financial Position. This includes infrastructure assets which have not been previously recognized. Amortization of capital assets is recognized as an expense in the Statement of Operations.

**b) Amortization**

Amortization is provided on buildings, furniture and equipment purchased from loans insured by C.M.H.C. at a rate equal to the annual principal reduction of the mortgage.

**c) Revenue Recognition**

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements.

Funding received which is specifically related to a subsequent fiscal period is reflected as deferred revenue on the Statement of Financial Position.

Rental revenue is recorded using the accrual basis of accounting.

**d) Replacement Reserve**

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



**DZAWADA'ENUXW FIRST NATION**  
**SOCIAL HOUSING PROJECT**  
**NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2018**

**2. Restricted Cash**

**Replacement Reserve**

Under the terms of agreement with Canada Mortgage and Housing Corporation, the Replacement Reserve account is to be credited in the amount of \$17,293 (2017 - \$18,893) annually. 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 C.M.H.C. from time to time. The funds in the account may only be used as approved by C.M.H.C.. Withdrawals are credited to interest first and then principal. During the year, this reserve was reduced by qualifying expenditures including replacement of appliances, porches, doors, windows and flooring.

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>Cash</b>	<u>15,502</u>	<u>---</u>

**3. Accounts Receivable**

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>Rent Receivable</b>	149,386	142,594
<b>C.M.H.C. Subsidy Receivable</b>	<u>2,459</u>	<u>2,513</u>
	<u>151,845</u>	<u>145,107</u>

**4. Property And Equipment**

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>Buildings, Furniture And Fixtures</b>	2,331,026	2,331,026
<b>Accumulated Amortization</b>	<u>1,771,454</u>	<u>1,716,465</u>
<b>Unamortized Cost</b>	<u>559,572</u>	<u>614,561</u>

**DZAWADA'ENUXW FIRST NATION**  
**SOCIAL HOUSING PROJECT**  
**NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2018**

<b>5. Long Term Debt</b>	<u><b>2018</b></u>	<u><b>2017</b></u>
	\$	\$
Royal Bank; repayable at \$2,085 per month including interest at 2.28% per annum, demand loan due June 1, 2020, secured by buildings	50,665	74,232
Royal Bank; repayable at \$2,825 per month including interest at 2.74% per annum, demand loan due July 1, 2017, secured by buildings	<u>55,960</u>	<u>87,383</u>
	<u><b>106,625</b></u>	<u><b>161,615</b></u>

Principal repayments over the next four years are estimated as follows:

	\$
2019	
2020	55,941
2020	48,798
	1,886

**6. Due To Dzawada'enuxw First Nation**

The amount due to the Dzawada'enuxw First Nation consists of various charges for operation expenses and repayments. The balance is unsecured and carries no specific terms of repayment or stated interest rate.

**AUDITORS' REPORT ON COMPLIANCE WITH AGREEMENT**

**TO: CANADA MORTGAGE AND HOUSING CORPORATION**

**We have audited Dzawada'enuxw First Nation's Social Housing Operations compliance as at March 31, 2018 with the criteria established in:**

- 1. Paragraph 15 of the Operating Agreement with CMHC in respect of funding and maintenance of the Replacement Reserve and the interest income related thereto.**
- 2. Sub-paragraphs 4(7-11) of the Operating Agreement with CMHC in respect of funding and maintenance of the Subsidy Surplus Reserve and the interest income related thereto.**
- 3. Sub-paragraph 2(5) of the Operating Agreement with CMHC in respect of:**
  - (1) Verification of the incomes of lessees paying rent according to the rent to income scale.**
  - (2) Application of a rent-to-income ratio for those lessees.**
  - (3) Adjustment of the rental charges for rent-to-income lessees.**
- 4. Paragraph 13(5)(d) of the Operating Agreement with CMHC in respect of verification of the Annual Project Data Report.**

Campbell River, BC  
October 23, 2018

  
**Chartered Professional Accountants**