

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

March 31, 2015

Financial Statements of:

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

Year ended March 31, 2015

**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
Schedule 1 - Schedule of Replacement Reserve Expenses**

MOELLER & COMPANY

CHARTERED ACCOUNTANTS

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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, 2015, 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, 2015 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.
July 24, 2015


Chartered Professional Accountants

DZAWADA'ENUXW FIRST NATION
SOCIAL HOUSING PROJECT
STATEMENT OF FINANCIAL POSITION - MARCH 31, 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
ASSETS		
Current		
Cash	91,106	240,531
Restricted cash deposits (Note 2)	247,547	245,929
Accounts receivable (Note 3)	<u>150,398</u>	<u>140,385</u>
	488,961	626,845
Property And Equipment (Note 4)	<u>780,956</u>	<u>906,914</u>
	<u><u>1,269,917</u></u>	<u><u>1,533,759</u></u>
LIABILITIES		
Current		
Accounts payable	3,000	3,000
Deferred revenue	115,124	115,124
Security deposits	<u>2,250</u>	<u>2,250</u>
	<u>120,374</u>	<u>120,374</u>
Long Term Debt (Note 5)	327,921	453,879
Due To Dzawada'enuxw First Nation (Note 6)	<u>765,326</u>	<u>841,532</u>
	<u><u>1,213,621</u></u>	<u><u>1,415,785</u></u>
EQUITY		
Replacement Reserve	34,193	95,871
Contributed Surplus	453,034	453,034
Surplus (Deficit)	<u>(430,931)</u>	<u>(430,931)</u>
	<u>56,296</u>	<u>117,974</u>
	<u><u>1,269,917</u></u>	<u><u>1,533,759</u></u>

On behalf of the Band Council:



Councillor



Band Manager

DZAWADA'ENUXW FIRST NATION
SOCIAL HOUSING PROJECT
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
Revenue		
Rental revenue	75,758	81,232
Administration fees	4,800	---
Canada Mortgage and Housing Corporation - subsidy	50,640	64,294
Canada Mortgage and Housing Corporation - PDF	---	11,999
Interest	960	---
Dzawada'enuxw contribution - 12/13	---	26,934
Dzawada'enuxw contribution - 13/14	---	6,734
Dzawada'enuxw contribution - 14/15	<u>57,420</u>	<u>---</u>
	<u>189,578</u>	<u>191,193</u>
Expenses		
Administration	7,884	8,731
Amortization	125,958	92,932
Insurance	18,661	18,660
Interest on long term debt	12,832	16,587
Materials and supplies	---	60
Repairs and maintenance	2,041	5,087
Replacement reserve	<u>22,202</u>	<u>22,202</u>
	<u>189,578</u>	<u>164,259</u>
Net Income	---	26,934
Surplus (Deficit) - Beginning Of Year	(430,931)	(630,237)
Adjustment Due To Matured Units	<u>---</u>	<u>172,372</u>
Surplus (Deficit) - End Of Year	<u>(430,931)</u>	<u>(430,931)</u>

DZAWADA'ENUXW FIRST NATION
SOCIAL HOUSING PROJECT
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
CASH PROVIDED BY (USED IN):		
Operating Activities		
Net income	---	26,934
Charges to income not involving cash:		
Amortization	125,958	92,932
Replacement reserve	<u>22,202</u>	<u>22,202</u>
	148,160	142,068
 Change in non-cash working capital balances:		
Accounts receivable	(10,013)	(1,987)
Deferred revenue	<u>---</u>	<u>(29,591)</u>
	<u>138,147</u>	<u>110,490</u>
 Financing Activities		
Change in due from Dzawada'enuxw First Nation	(76,206)	43,601
Repayment of long term debt	<u>(125,958)</u>	<u>(92,932)</u>
	<u>(202,164)</u>	<u>(49,331)</u>
 Investing Activities		
Interest earned on restricted cash	1,531	1,836
CMHC Adjustment	625	103,930
Replacement reserve expenses	<u>(86,636)</u>	<u>(99,275)</u>
	<u>(83,880)</u>	<u>6,491</u>
 Change In Cash During Year	(147,897)	67,650
Cash - Beginning Of Year	<u>486,460</u>	<u>418,810</u>
 Cash - End Of Year	<u><u>338,563</u></u>	<u><u>486,460</u></u>
 Cash Represented By:		
Cash	91,106	240,531
Restricted Cash	<u>247,457</u>	<u>245,929</u>
	<u><u>338,563</u></u>	<u><u>486,460</u></u>

DZAWADA'ENUXW FIRST NATION
SOCIAL HOUSING PROJECT
STATEMENT OF FUNDED RESERVES
YEAR ENDED MARCH 31, 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
Replacement Reserve (Note 2)		
Balance - Beginning Of Year	95,871	239,548
Interest Income For Year	1,531	1,837
Allocation For Year	22,202	22,202
Expenditure For Year (Schedule 1)	(86,036)	(99,274)
CMHC Adjustment	625	---
Adjustment Due To Matured Units	<u>---</u>	<u>(68,442)</u>
Balance - End Of Year	<u><u>34,193</u></u>	<u><u>95,871</u></u>

DZAWADA'ENUXW FIRST NATION
SOCIAL HOUSING PROJECT
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2015

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, 2015

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 \$22,202 (2014 - \$22,202) 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>2015</u>	<u>2014</u>
	\$	\$
Cash	<u>247,547</u>	<u>245,949</u>

3. Accounts Receivable

	<u>2015</u>	<u>2014</u>
	\$	\$
Rent Receivable	146,178	136,165
C.M.H.C. Subsidy Receivable	<u>4,220</u>	<u>4,220</u>
	<u>150,398</u>	<u>140,385</u>

4. Property And Equipment

	<u>2015</u>	<u>2014</u>
	\$	\$
Buildings, Furniture And Fixtures	2,331,026	2,331,026
Accumulated Amortization	<u>1,550,070</u>	<u>1,424,112</u>
Unamortized Cost	<u>780,956</u>	<u>906,914</u>

DZAWADA'ENUXW FIRST NATION
SOCIAL HOUSING PROJECT
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2015

5. Long Term Debt	<u>2015</u>	<u>2014</u>
	\$	\$
Royal Bank; repayable at \$3,593 per month including interest at 3.02% per annum, secured by buildings	59,752	100,399
Royal Bank; repayable at \$2,709 per month including interest at 3.97% per annum, demand loan due June 1, 2015, secured by buildings	119,538	175,445
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>148,631</u>	<u>178,035</u>
	<u>327,921</u>	<u>453,879</u>

Principal repayments over the next five years are estimated as follows: \$

2016	93,748
2017	71,442
2018	55,348
2019	57,181
2020	48,049
Thereafter	2,153

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.

7. Related Party Transactions

During the year the social housing project received rental income from a council member for twelve months in the amount of \$11,000 (2014 - \$6,000).

At the end of the year the accounts receivable from related parties consisted of a balance of \$6,873 (2014 - \$4,313).

These payments were made in the ordinary course of operations and were recorded at the exchange amounts agreed to under the contracts between the parties involved.

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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, 2015 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
July 24, 2015


Chartered Professional Accountants

Dzawada'enuxw First Nation
Schedule of Replacement Reserve Expenses
March 31, 2015

Schedule 1

Vendor	Description	Social Housing Unit Number	Amount
Sunco Plywood	Prehung Door Jamb	17	327.32
Sunco Plywood	Deadbolts/knobs	1,5,7,10,16	689.89
Leslie Dawson	Door frame frght	17	69.60
Leslie Dawson	1 box freight	17	30.00
Sunco Plywood	Replace doorknobs	1,7,10,15,16	349.95
Terrance Willie	R/M Door; hooked stove up	17	100.00
Leslie Dawson	1 box freight	17	30.00
Just Gas Ltd.	Replace fridge parts	14	352.65
Clean Sweep Chimney	Inspect woodstove & chimney	14	95.00
Clean Sweep Chimney	Inspect woodstove & chimney	17	95.00
Clean Sweep Chimney	Replace chimney, etc.	6	2,535.00
Clean Sweep Chimney	Replace chimney parts	15	258.00
Terrance Willie	Replace washer/dryer parts	14	75.00
Vancouver Island Air Ltd.	Just gas frght	14	26.25
Terrance Willie	Replace washer/dryer parts	14	75.00
Parts Select	Replace washer time	14	171.21
G. Heidema Construction	SH New roofs/Teacherage housing	6,7,8,9,10,11,14,15,16,18,20	3,665.20
Canadian Tire	Armour Coat & Delivery	10	37.48
Vancouver Island Air Ltd.	Can.Tire Frght	10	26.25
Sunco Plywood	lumber; paint supplies	10	3,377.99
Merit Home Furniture	Replace washer/dryer	14	1,698.00
Richard Dawson	Freight	10	1,500.00
Terrance Willie	Freight	10	175.00
Terrance Willie	Freight	10	175.00
Robin Dawson	Consulting re renov. Specs	10,15	75.00
Peter Coon	Temporary roof fix	15	250.00
Peter Coon	Help with roof replace.	15	82.00
Sunco Plywood	Paint supplies	10	58.89
Sunco Plywood	Drywall supplies/foam insulation	10	83.45
Sunco Plywood	Paint rollers	10	19.96
Inlet Navigation	3 skids washer/dryer frght	10,14	750.00
Campbell River Marine Terminals	Wash/Dryer frght	14	115.50
Sunco Plywood	Courier chg-bathroom vanity	10	88.79
Sunco Plywood	Outlit/switch covers/paint	10	109.48
Sunco Plywood	Bifold panels	10	3,187.23
Sunco Plywood	Bifold panels	15	1,059.87
Peter Coon	Appliances freight	10	80.00
Don Willie	Renov.contract	10	1,960.00
Hikem Willie	Renov.contract	10	1,472.00
Patrick Willie	Renov.contract	10	1,344.00
Sunco Plywood	Paint supplies	15	904.23
Sunco Plywood	Drywall;metal bead	15	47.70
Sunco Plywood	Replacement supplies	15	2,555.03
Sunco Plywood	Replacements supplies	10	2,259.43
Shop Rite	Replace dryer	11	519.00
Mackay Whale Watching	Appliance freight	11	100.00
Richard Dawson	Freight	10,15	1,473.75
Terrance Willie	Freight	10	180.00
Terrance Willie	Freight	15	405.00
Terrance Willie	Freight	10	170.00
Terrance Willie	Freight	14	170.00
Don Willie	Renov.contract	10	560.00
Patrick Willie	Renov.contract	10	525.00
Hikem Willie	Renov.contract	10	575.00
Sunco Plywood	Replace parts	10	215.88
Merit Home Furniture	Replace 2 washers, 2 dryers, 1 fridge, 1 range	10,14	5,078.00
Sunco Plywood	Replace counter tops	15	857.25
Sunco Plywood	Replace stairway	19	1,300.41
Sunco Plywood	Replace mouldings	15	996.80
Sunco Plywood	Replace stairway	15	679.91
Sunco Plywood	cabinet knobs/floor transitions	10	19.77
Sunco Plywood	Replace.plumbing parts	10,15	266.11
Inlet Navigation	Freight	15	875.00
Campbell River Marine Terminals	Crossdock fees	10,11,15	344.80

Dzawada'enuxw First Nation
Schedule of Replacement Reserve Expenses
March 31, 2015

Schedule 1 (Continued)

Vendor	Description	Social Housing Unit Number	Amount
Peter Coon	Old appliances moved	10	20.00
Peter Coon	Garbage moved	10	120.00
Terrance Willie	Freight	19	500.00
Terrance Willie	Labour-dryer replacements	14	25.00
Terrance Willie	Labour-woodstove r/m	13	25.00
Richard Dawson	Material/Supplies frght	15	1,421.25
Richard Dawson	Freight - Treated lumber, etc. for stairwell	19	1,417.50
Mackay Whale Watching	Dryer frght	11	100.00
Campbell River Marine Terminals	Crossdock fees	10,11,15	51.66
Sunco Plywood	side lite window replaced	10	110.00
Sunco Plywood	Flooring	10	64.56
Terrance Willie	Appliances freight	10	320.00
Terrance Willie	Appliances freight	15	130.00
Leslie Dawson	Freight	10	80.00
Don Willie	Renov.contract	15	1,505.00
Hikem Willie	Renov.contract	15	732.00
Hikem Willie	Renov.contract	15	414.00
Patrick Willie	Renov.contract	15	903.00
Patrick Willie	Renov.contract	10	609.00
Sunco Plywood	Stairway stain	19	46.97
Sunco Plywood	Roof screws	15	85.00
Sunco Plywood	Couplers	10	3.16
Don Willie	Renov.contract	19	1,528.00
Hikem Willie	Renov.contract	19	368.00
Patrick Willie	Renov.contract	19	504.00
Terrance Willie	Freight	10,15	50.00
Inlet Navigation	Freight	15	625.00
Sunco Plywood	Door stops	10	17.94
Sunco Plywood	Material/Supplies frght	15	6,032.53
Sunco Plywood	Material/Supplies frght	15	3,897.12
Sunco Plywood	Material/Supplies frght	15	561.73
Sunco Plywood	Material/Supplies frght	15	497.47
Sunco Plywood	bi-fold panels	10	139.98
Terrance Willie	Freight	15	565.00
Terrance Willie	Freight	15	245.00
Terrance Willie	R/M Stove	13	37.50
Don Willie	Renov.contract	10	1,608.82
Sunco Plywood	Plywood	15	179.97
Don Willie	Renov.contract	15	1,921.00
Hikem Willie	Renov.contract	15	1,219.00
Patrick Willie	Renov.contract	15	1,260.00
Ferrin Willie	Freight	15	100.00
Sunco Plywood	Reno.material	10	36.90
Sunco Plywood	Renov.material	15	58.88
Don Willie	Renov.Contract	15	400.00
Don Willie	Renov. Contact	10	400.00
Patrick Willie	Renov.contract	15	861.00
Hikem Willie	Renov. Contact	15	782.00
Terrance Willie	Freight	15	50.00
Don Willie	Renov. Contact	15	700.00
Sunco Plywood	Plumbing supplies	15	356.41
Sunco Plywood	Plumbing supplies	15	368.54
Diana Dick	Toilets/vanity frght	15	205.00
Hikem Willie	Renov. Contact	15	529.00
Patrick Willie	Renov.contract	15	483.00
Patrick Willie	Renov.contract	15	315.00
Don Willie	Renov.contract	15	2,700.00
			<u>86,035.92</u>