

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

March 31, 2016

Financial Statements of:

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

Year ended March 31, 2016

**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**

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, 2016, 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, 2016 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 28, 2016


Chartered Professional Accountants

DZAWADA'ENUXW FIRST NATION
SOCIAL HOUSING PROJECT
STATEMENT OF FINANCIAL POSITION - MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
ASSETS		
Current		
Cash	139,338	91,106
Restricted cash deposits (Note 2)	247,611	247,547
Accounts receivable (Note 3)	<u>145,122</u>	<u>150,398</u>
Property And Equipment (Note 4)	532,071	488,961
	<u>687,105</u>	<u>780,956</u>
	<u>1,219,176</u>	<u>1,269,917</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>
	120,374	120,374
Long Term Debt (Note 5)	234,070	327,921
Due To Dzawada'enuxw First Nation (Note 6)	<u>842,990</u>	<u>765,326</u>
	<u>1,197,434</u>	<u>1,213,621</u>
EQUITY		
Replacement Reserve	(361)	34,193
Contributed Surplus	453,034	453,034
Surplus (Deficit)	<u>(430,931)</u>	<u>(430,931)</u>
	<u>21,742</u>	<u>56,296</u>
	<u>1,219,176</u>	<u>1,269,917</u>

On behalf of the Band Council:

Wilkie Mro Councillor

[Signature] Band Manager

DZAWADA'ENUXW FIRST NATION
SOCIAL HOUSING PROJECT
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
Revenue		
Rental revenue	65,322	75,758
Administration fees	4,800	4,800
Canada Mortgage and Housing Corporation - subsidy	47,992	50,640
Interest	---	962
Dzawada'enuxw contribution - 14/15	---	56,718
Dzawada'enuxw contribution - 15/16	<u>33,474</u>	<u>---</u>
	<u>151,588</u>	<u>188,878</u>
 Expenses		
Administration	7,360	7,884
Amortization	93,851	125,958
Insurance	19,659	18,661
Interest on long term debt	8,430	12,832
Repairs and maintenance	86	1,341
Replacement reserve	<u>22,202</u>	<u>22,202</u>
	<u>151,588</u>	<u>188,878</u>
 Net Income	---	---
Surplus (Deficit) - Beginning Of Year	(430,931)	(430,931)
Adjustment Due To Matured Units	<u>---</u>	<u>---</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, 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
CASH PROVIDED BY (USED IN):		
Operating Activities		
Net income	---	---
Charges to income not involving cash:		
Amortization	93,851	125,958
Replacement reserve	<u>22,202</u>	<u>22,202</u>
	116,053	148,160
 Change in non-cash working capital balances:		
Accounts receivable	<u>5,276</u>	<u>(10,013)</u>
	<u>121,329</u>	<u>138,147</u>
 Financing Activities		
Change in due from Dzawada'enuxw First Nation	77,664	(76,206)
Repayment of long term debt	<u>(93,851)</u>	<u>(125,958)</u>
	<u>(16,187)</u>	<u>(202,164)</u>
 Investing Activities		
Interest earned on restricted cash	1,531	1,531
CMHC Adjustment	625	625
Replacement reserve expenses	<u>(86,036)</u>	<u>(86,636)</u>
	<u>(83,880)</u>	<u>(83,880)</u>
 Change In Cash During Year	21,262	(147,897)
Cash - Beginning Of Year	<u>338,563</u>	<u>486,460</u>
 Cash - End Of Year	<u><u>359,825</u></u>	<u><u>338,563</u></u>
 Cash Represented By:		
Cash	139,338	91,106
Restricted Cash	<u>247,611</u>	<u>247,457</u>
	<u><u>386,949</u></u>	<u><u>338,563</u></u>

DZAWADA'ENUXW FIRST NATION
SOCIAL HOUSING PROJECT
STATEMENT OF FUNDED RESERVES
YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
Replacement Reserve (Note 2)		
Balance - Beginning Of Year	34,193	95,871
Interest Income For Year	172	1,531
Allocation For Year	22,202	22,202
Expenditure For Year (Schedule 1)	(57,273)	(86,036)
CMHC Adjustment	<u>345</u>	<u>625</u>
Balance - End Of Year	<u>(361)</u>	<u>34,193</u>
 Subsidy Surplus Reserve		
Balance - Beginning And End Of Year	<u>---</u>	<u>---</u>

DZAWADA'ENUXW FIRST NATION
SOCIAL HOUSING PROJECT
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2016

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 or 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, 2016

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 (2015 - \$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>2016</u>	<u>2015</u>
	\$	\$
Cash	<u>247,611</u>	<u>247,547</u>

3. Accounts Receivable

	<u>2016</u>	<u>2015</u>
	\$	\$
Rent Receivable	141,166	146,178
C.M.H.C. Subsidy Receivable	<u>3,955</u>	<u>4,220</u>
	<u>145,121</u>	<u>150,398</u>

4. Property And Equipment

	<u>2016</u>	<u>2015</u>
	\$	\$
Buildings, Furniture And Fixtures	2,331,026	2,331,026
Accumulated Amortization	<u>1,643,921</u>	<u>1,550,070</u>
Unamortized Cost	<u>687,105</u>	<u>780,956</u>

DZAWADA'ENUXW FIRST NATION
SOCIAL HOUSING PROJECT
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2016

5. Long Term Debt	<u>2016</u>	<u>2015</u>
	\$	\$
Royal Bank; repayable at \$3,593 per month including interest at 3.02% per annum, secured by buildings	17,915	59,752
Royal Bank; repayable at \$2,084 per month including interest at 3.97% per annum, demand loan due June 1, 2020, secured by buildings	97,455	119,538
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>118,700</u>	<u>148,631</u>
	<u>234,070</u>	<u>327,921</u>

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

2017	70,490
2018	54,307
2019	56,098
2020	47,232
2021	5,943

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 council members in the amount of \$9,106 (2015 - \$11,000).

At the end of the year the accounts receivable from related parties consisted of a balance of \$7,965 (2015 - \$6,873).

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.

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, 2016 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 28, 2016**


Chartered Professional Accountants

Dzawada'enuxw First Nation
Schedule of Replacement Reserve Expenses
March 31, 2016

Schedule 1

Vendor	Description	Social Housing Unit Number	Amount
Sunco Plywood	Bi-fold door replacement	15	74.99
Sunco Plywood	Plumbing replacement	15	126.41
Just Gas Ltd.	6 Appliance connectors	10,15	292.50
Sunco Plywood	Toilet tank liner replacement	15	59.98
Sunco Plywood	Bi-fold door replacement	15	69.99
Canadian Tire	5 range hoods	9,10,13,15,19	1,016.95
Diana Dick	Freight-Sunco(Windsor)	15	60.00
Patrick Willie	Don Willie renov.contract	15	504.00
Charlene Dawson	Freight-Sunco(Windsor)	15	50.00
Don Willie	Renovations contract payment	15	2,500.00
Trevor Dawson	River frght-5 range hoods	15	40.00
Inlet Navigation (1985)	2 appliances-C.River to Kingcome	15	250.00
Sunco Plywood	Bi-fold door replacements	6	561.84
Sunco Plywood	Renovation supplies	6	1,309.92
Sunco Plywood	Renovations supplies	6	183.14
Sunco Plywood	Stove Booard replacement	6	239.99
Peter Coon	Garbage removal	6	160.00
Peter Coon	Garbage removal	10	80.00
Peter Coon	Range hood/vent fan transp.	10,13,15,19	40.00
Peter Coon	Garbage removal	10	120.00
Richard Dawson	Renov. Freight	6	750.00
Terrance Willie	Renov. Freight	6	340.00
Merit Home Furniture	Appliances replacement	21	1,524.97
Merit Home Furniture	Fridge replacement	7	599.99
Inlet Navigation (1985)	Appliances frght	7,21	375.00
Campbell River MarineT	Appliances-cross dock fees	7,21	182.70
Sunco Plywood	Countertop replacement	6	658.82
Sunco Plywood	Prolock 12-26 Galvanized 7' w/screws	6	280.67
Sunco Plywood	Doors	6	1,199.87
Sunco Plywood	Door knobs, etc.	6	132.06
Terrance Willie	Hooked up appliances	10,15	100.00
Don Willie	Reoncations Contract payment	6	1,500.00
Hema Willie	River transportation of renovation frght	6	250.00
Hema Willie	Transporting insurance personnel	14	90.00
Patrick Willie	Renovation contract payment	6	1,449.00
Richard Dawson	Countertop/doorrs freight	6	750.00
Hema Willie	Wash/dryer frght-up river to houses	7,21	50.00
Terrance Willie	Insurance personnel/freight up river	14	210.00
Terrance Willie	Appliances up river	7,21	180.00
Terrance Willie	Insurance personnel/freight up river	14	220.00
Patrick Willie	Don Willie renovation contract payment	6	749.70
Don Willie	Renovations contract payment	6	1,275.00
Koho Power Corporation	Electrical installations, etc.	9,10,11,13,15,17,18,19	1,127.50
Sunco Plywood	Renovations material/	6	178.23
Sunco Plywood	Push on coupler	14	29.96
Ed Rosse Plumbing Ltd	Plumbing-no breakdown	11,14,17	346.94
Sunco Plywood	Counter top replacement supplies	6	31.18
Don Willie	Renovations contract payment	6	2,490.10
Patrick Willie	Don Willie renovations contract payment	6	756.00
Richard Dawson	Finishing trim/doorknobs freight	10	18.75
Terrance Willie	Insurance personnel transp on river	14	60.00
Diana Dick	Windsor (Sunco) Plywood frght on river	14	20.00
Ripple Rock Restoratio	Supplies	14	115.62
Ed Rosse Plumbing Ltd	Hot water tank replacement	15	490.64
Patrick Willie	Don Willie Renovations contract payment	6	682.50
Don Willie	Renovations contract payment	6	841.00
Hikem Willie	Don Willie Renovations contract payment	6	161.00
Terrance Willie	Washer repair/maintenance	11	50.00
Terrance Willie	Insurance personnel/freight up river	15	190.00
Peter Coon	Renov. Garbage pick up	15	80.00
Peter Coon	Garbage pick up unoccupied house	14	40.00
Peter Coon	Old appliances picked up and to the mill site	21	20.00

Dzawada'enuxw First Nation
Schedule of Replacement Reserve Expenses
March 31, 2016

Schedule 1 (Continued)

Vendor	Description	Social Housing Unit Number	Amount
Archie Johnstone Plumb	Renovations of bathrooms	6	2,331.80
Archie Johnstone Plumb	Insurance-Plumbing issue	15	245.68
Archie Johnstone Plumb	Plumbing Plumbing issue	15	288.00
Archie Johnstone Plumb	Plumbing-bathroom faucet & overview	10	274.22
Archie Johnstone Plumb	Plumbing-Toilet & sink issue	21	187.66
Archie Johnstone Plumb	Plumbing-kitchen sink leaking	20	104.16
Archie Johnstone Plumb	Plumbing-toilet running/ck under KS	17	501.31
Archie Johnstone Plumb	Plumbing-busted P-trap pipe-toilet running const.	11	195.44
Archie Johnstone Plumb	Plumbing-Leakingt PRV	8	96.00
Archie Johnstone Plumb	Plumbing-Clear sewer backup	15	144.00
Archie Johnstone Plumb	Plumbing-Aerater; clear basin	18	156.34
Archie Johnstone Plumb	Plumbing-washer leaking	6	144.00
Merit Home Furniture	Parts for gas range	10	67.20
Peter Coon	4 loads garbage from empty house	14	80.00
Terrance Willie	Boxes frght from VIA	10	40.00
Terrance Willie	Boxes frght from VIA	10	30.00
Terrance Willie	Appliances r/m	9	130.00
SH#09	Appliance igniter and kit	9	209.16
Sunco Plywood	Hotwater heater elements	20	99.96
Sunco Plywood	Hotwater tank replacement	20	439.99
Terrance Willie	Worked on washer	21	50.00
Quality Stoves & Firep	Masonry adaptors	15	109.76
Terrance Willie	Hotwater tank RM	20	55.00
Terrance Willie	Hotwater tank freight on river	20	50.00
Richard Dawson	Hotwater tank freight into Kingcome	20	75.00
Peter Coon	3 loads Garbage moved to the millsite	10	60.00
Archie Johnstone Plumb	Misc. plumbing issues	6	1,372.24
Archie Johnstone Plumb	Replace tub faucet/supplies	8	1,314.96
Archie Johnstone Plumb	Plumbing issues	9	1,170.77
Archie Johnstone Plumb	Replace Hosebibb	11	337.82
Archie Johnstone Plumb	Living out allowance	8,9,11	216.66
Merit Home Furniture	Appliances & Dryers	9,10,11	3,699.96
Terrance Willie	Dryer RM	7	150.00
Ripple Rock Restoratio	Balance of deductible	14	1,824.90
Ripple Rock Restoratio	Balance of deductible	14	5,000.00
Inlet Navigation (1985	Appliances transp.	9,10,11	400.00
Campbell River MarineT	Appliances-cross dock fees	9,10,11	147.00
Hema Willie	Appliances frght-assistance	9,10,11	100.00
Terrance Willie	Appliances frght on river	9,10,11	240.00
Apex Plumbing & Heatin	Supply/install replace.bath light	17	203.78
Apex Plumbing & Heatin	Replace/repair wiring in celing light	7	122.95
Apex Plumbing & Heatin	Replace vent connection in dryer	9	141.80
Pioneer Hardware Ltd.	Replace Porch and stairs	7	3,327.50
Inlet Navigation (1985	Transport lumber/supplies	7	375.00
Campbell River MarineT	Lumber/supplies-cross dock fees	7	152.52
Apex Plumbing & Heatin	Work on range, heaters and burners	11	187.60
Apex Plumbing & Heatin	worked on range/fans	6	101.18
Apex Plumbing & Heatin	Worked on range hood-rewired switch	8	85.00
Apex Plumbing & Heatin	Replaced wall plug in/recepticals	15	140.49
Apex Plumbing & Heatin	Gas pipe in for new gas stove	11	573.65
Apex Plumbing & Heatin	Repaired base board heaters	16	127.50
Diana Dick	Electrician-down	6,9,11,15,16	30.00
Terrance Willie	Renov. Materials up river	7	585.00
Leonard Smith	Renov. Materials up river	7	160.00
Terrance Willie	Renov Materials up river	7	170.00
Robin Dawson	Spec.writing for units 7-21	7,8,9,10,11,13,14,15,16,17,18,19,20,21	313.56
			57,273.43