

ESQUIMALT NATION

FINANCIAL STATEMENTS


March 31, 2014

MESSAGE FROM CHIEF THOMAS ESQUIMALT NATION

The accompanying audited consolidated financial statements of Esquimalt Nation as at March 31, 2014 are presented here for your review. It is the view of our Councillors, management and I that these consolidated financial statements are confidential and should only be available to the Members of Esquimalt Nation. However, we are compelled by the Government of Canada to publish these financial statements for the general public to peruse.

Our economic, social, educational and employment activities are numerous and are funded by other important funding sources in addition to the Government of Canada. In many cases these activities have no Government of Canada funding, yet these activities are required to be presented to the public despite having already been separately reported to the other funding sources.

It is our hope that our future reporting for the public's viewing will be limited those activities that have Government of Canada funding.



Chief Andy Thomas

ESQUIMALT NATION
AUDITED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

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MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The accompanying financial statements of Esquimalt Nation and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council of Esquimalt Nation.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants Canada ("CPA Canada") and as such include amounts that are the best estimates and judgements of management.

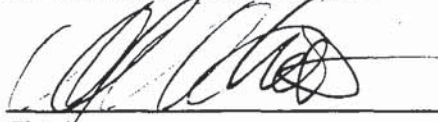
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.


The Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the financial statements.

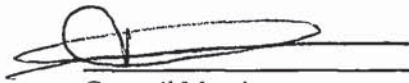
The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report.


The external auditors, Chan & Associates, Chartered Accountants, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Esquimalt Nation and meet when required.

On behalf of Esquimalt Nation:




Chief

Council Member

Council Member

Council Member

Council Member

Date Aug 25/14

INDEPENDENT AUDITORS' REPORT

TO THE CHIEF, COUNCIL AND MEMBERS
ESQUIMALT NATION

Report on Financial Statements

We have audited the accompanying financial statements of Esquimalt Nation, which comprise the statement of financial position as at March 31, 2014, statement of operations and accumulated surplus, statement of changes in net financial assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Nation as at March 31, 2014 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

Our audit was performed for the purpose of forming an opinion on the financial statements. Budget information as presented in the financial statements and as also described in Note 18 in these financial statements are unaudited and are presented as information only.

Victoria, British Columbia
August 21, 2014

Chan and Associates

CHAN & ASSOCIATES
Chartered Accountants

ESQUIMALT NATION

STATEMENT OF FINANCIAL POSITION as at March 31, 2014

	2014	2013
<i>FINANCIAL ASSETS</i>		
Cash (Note 4)	\$ 4,110,679	\$ 843,358
Restricted cash (Note 5)	4,229,247	4,229,247
Accounts receivable (Note 6)	419,359	478,395
Ottawa Trust Funds (Note 7)	14,826	13,743
	8,774,111	5,564,743
<i>FINANCIAL LIABILITIES</i>		
Accounts payable and accrued liabilities	299,656	214,026
Deferred revenues (Note 8)	43,170	19,261
Long term debt (Note 9)	913,565	976,837
	1,256,391	1,210,124
<i>NET FINANCIAL ASSETS</i>	7,517,720	4,354,619
<i>NON FINANCIAL ASSETS</i>		
Tangible capital assets (Note 11)	2,750,326	2,890,367
Investment in Salish Sea Joint Venture (Note 12)	350,000	350,000
Investment in Kosapsum Development Corporation	211,482	46,107
Prepaid expenses	53,287	60,015
	3,365,095	3,346,489
<i>ACCUMULATED SURPLUS</i>	\$10,882,815	\$ 7,701,108

Approved on behalf of the Esquimalt Nation Council



Chief



Councillor

ESQUIMALT NATION

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS for the year ended March 31, 2014

	Budget	2014	2013
<i>(Unaudited - Note 18)</i>			
REVENUES			
Aboriginal Affairs and Northern Development Canada	\$ 1,169,179	\$ 1,013,189	\$ 1,250,996
Settlement Trust and fund (Note 16)	260,700	635,679	540,808
Commercial leases and rentals	282,850	301,212	223,350
Inter Tribal Health Authority	254,257	254,265	250,337
Housing rentals	143,464	129,908	166,679
CMHC	53,521	52,004	53,521
CSETS	63,518	63,518	63,518
School District #61	60,000	60,000	45,000
First People's Cultural Council	47,705	47,730	-
FNESC	11,018	7,400	34,661
Province of British Columbia	10,323	3,510,323	10,323
Ottawa Trust Funds	1,000	1,083	998
Kosapsum Trust	15,000	21,323	8,934
Other miscellaneous - net	382,972	392,080	410,251
Health Canada	72,600	72,600	72,600
	2,828,107	6,562,314	3,131,976
EXPENDITURES			
Nation administration	458,846	474,314	361,523
Nation generated	121,510	121,440	95,047
Social assistance and health	570,061	590,634	713,679
Settlement Trust and fund activities	285,315	278,499	184,678
Social Housing	262,440	344,655	274,491
Education	191,201	222,314	183,846
Employment	158,830	160,527	104,966
Public works	75,450	170,358	93,406
Land use	194,884	191,331	238,192
Economic development	683,959	914,937	601,173
Headstart	72,600	72,766	72,934
Governance	-	-	50,017
Inter-department charges	(145,705)	(161,168)	(162,561)
	2,929,391	3,380,607	2,811,391
ANNUAL (DEFICIT) SURPLUS	(101,284)	3,181,707	320,585
ACCUMULATED SURPLUS, BEGINNING OF YEAR	7,701,108	7,701,108	7,380,523
ACCUMULATED SURPLUS, END OF YEAR	\$ 7,599,824	\$10,882,815	\$ 7,701,108

ESQUIMALT NATION

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS for the year ended March 31, 2014

	Budget	2014	2013
<i>(Unaudited - Note 18)</i>			
Annual surplus (deficit)	\$ (101,284)	\$ 3,181,707	\$ 320,585
Acquisition of tangible capital assets	(11,800)	(11,800)	-
Amortization of tangible capital assets	156,000	151,841	157,208
(Income) loss from Kosapsum Trust	(15,000)	(21,323)	-
	27,916	3,300,425	477,793
Decrease (Increase) in prepaid expenses (net)	6,728	6,728	165,855
Receipts from (advances to) - Kosapsum Trust	-	(144,052)	-
Investment in Salish Sea Joint Venture	-	-	(350,000)
	6,728	(137,324)	(184,145)
CHANGE IN FINANCIAL ASSETS	(273,795)	3,163,101	293,648
NET FINANCIAL ASSETS, BEGINNING OF YEAR	4,060,971	4,354,619	4,060,971
NET FINANCIAL ASSETS, END OF YEAR	\$ 3,787,176	\$ 7,517,720	\$ 4,354,619

ESQUIMALT NATION

STATEMENT OF CASH FLOWS for the year ended March 31, 2014

	2014	2013
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual Surplus (deficit)	\$ 3,181,707	\$ 320,585
Items not involving cash		
Amortization of tangible capital assets	151,841	157,208
Distributions from Kosapsum Trust	(21,323)	-
Change in non-cash operating accounts	175,303	(262,610)
	3,487,528	215,183
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(11,800)	-
INVESTING ACTIVITIES		
Funds received (paid) on behalf of Kosapsum Trust	(144,052)	-
Funds invested in Salish Sea Joint Venture	-	(350,000)
	(144,052)	(350,000)
FINANCING ACTIVITIES		
Repayment of demand loan and long-term debt	(63,272)	(75,654)
INCREASE (DECREASE) IN CASH	3,268,404	(210,471)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,086,348	5,296,819
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,354,752	\$ 5,086,348
CASH AND CASH EQUIVALENTS ARE REPRESENTED BY:		
Cash	\$ 4,110,679	\$ 843,358
Land Acquisition Trust fund	4,229,247	4,229,247
Ottawa Trust funds	14,826	13,743
	\$ 8,354,752	\$ 5,086,348

ESQUIMALT NATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants Canada.

1. DESCRIPTION OF REPORTING ENTITY

The Esquimalt Nation reporting entity includes Esquimalt Nation government and all related entities which are accountable to the Nation and are either owned or controlled by Esquimalt Nation. The financial statements include the assets, liabilities, and results of operations for the following entities which use accounting principles which lend themselves to combination:

- Nation government administration (Operations and Capital funds)
- Nation trust funds (comprising the funds held in trust with Aboriginal Affairs and Northern Development Canada)
- Nation reserves (housing replacement reserve)
- Nation Enterprise Fund

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

- (i) These financial statements are prepared in accordance with Canadian generally accepted accounting principles for local government entities. The accounting principles therein are designed to show that funds provided by governments, government agencies and other groups have been used for the purposes intended.
- (ii) The financial statements have been prepared using the full accrual basis. Revenues are recognized in the period earned or contributed and expenditures are recorded in the period in which they became an obligation of the Nation.

b) Government transfers

Government transfers from the Government of Canada, the Province of British Columbia, municipalities and other quasi-governmental entities (Canada Mortgage and Housing Corporation, school districts and the Vancouver Island Health Authority) are recorded as revenues when the related project is undertaken, however, if the project is not completed in the fiscal year, an estimate of the unearned revenues is made and recorded as deferred revenues.

c) Deferred revenue

Funding received in advance for specific approved projects which were not completed at year end have been recorded on the statement of financial position. As the projects are completed and funding utilized or received, the amounts will be transferred to the statement of operations and surplus.

ESQUIMALT NATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES, *continued*

d) Non-financial capital assets

Non-financial assets are those assets which are not able to extinguish financial liabilities in an orderly manner. Typically the assets have service lives beyond the current year and are generally held for use in the provision of services to the community. Non-financial assets comprise the following:

(i) Tangible capital assets

Tangible capital assets (previously called 'property, plant and equipment' or 'capital assets') are recorded at cost inclusive of costs relating to the betterment of these assets. Reserve lands are not included in tangible capital assets, unless those lands were acquired by the Nation and the costs can be reasonably determined. Amortization of these assets is provided annually over their expected useful life using the declining balance method as follows:

Buildings	5%
Infrastructure	5%
Equipment	20%
Moveable equipment	30%

Additions to capital assets are deemed to occur midway during the year and amortization of additions is recorded at one-half the normal rate.

(ii) Prepaid expenses

These assets represent expenditures that have been made in the year that relate to periods that extend past the fiscal year end. These prepaid expenses will be charged to operations in subsequent periods.

e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results may differ from those estimates.

3. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2010 the Nation adopted the pronouncements of the Public Sector Accounting Board ("PSAB") in sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. PSAB's Financial Statement Presentation establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize tangible capital assets in the financial statements of the government. The Nation has followed the general principles of Section 3150 in the past and, accordingly, the adoption of these standards did not required extensive restatement of prior financial statements, except that amortization is now shown in the statements and not solely in the capital fund as in prior years.

ESQUIMALT NATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

4. CASH (BANK INDEBTEDNESS)	2014	2013
Cash (Bank indebtedness) is comprised of the following:		
Cash	\$ 3,932,222	\$ 701,239
Cheques issued in excess of funds on deposit	-	-
Restricted cash:		
Replacement reserves	178,457	142,119
	<u>\$ 4,110,679</u>	<u>\$ 843,358</u>

5. RESTRICTED CASH

Restricted cash in the amount of \$4,229,247 (2013 - \$4,229,247) is held at the Nation's legal advisors in an interest bearing account exclusively for the benefit of the Nation. These funds were part of the settlement proceeds received from the Governments of Canada and British Columbia in 2008 and must be used for the acquisition of additional lands for the Nation. Interest earned on these funds is transferred to the Nation on a monthly basis.

6. ACCOUNTS RECEIVABLE

Account receivable is comprised of the following:

Operation fund

	2014	2013
Accounts receivable	\$ 354,666	\$ 431,095
Due from Members (see following)	64,693	47,300
	<u>\$ 419,359</u>	<u>\$ 478,395</u>

Amounts due from Members comprise the following:

Rent	\$ 233,341	\$ 205,948
Less: allowance for doubtful accounts	(168,648)	(158,648)
	<u>\$ 64,693</u>	<u>\$ 47,300</u>

All amounts are currently due and receivable and are non-interest bearing.

During 2012, management determined that the accounts receivable owing by certain of the Members may prove to be uncollectible. Accordingly, the Nation increased the allowance for doubtful accounts to \$158,648, and in the current year added a further \$10,000 to the allowance. Collection efforts, however, have not stopped and the accounts may be collectible in the future dependent upon management's efforts. If accounts that have been specifically provided for in the above allowance are collected, they will be added to income in the year of collection.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

7. OTTAWA TRUST FUNDS

The Ottawa Trust funds are monies derived from capital or revenue sources as outlined in Section 65 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act. During the year, these funds earned interest in the amount of \$1,083 (2013 - \$998).

8. DEFERRED REVENUES

Deferred revenues comprise the following:

Aboriginal Affairs and Northern Development Canada
Miscellaneous funding sources

2014	2013
\$ 22,870	\$ 13,473
20,300	5,788
<u>\$ 43,170</u>	<u>\$ 19,261</u>

9. LONG-TERM DEBT

Social Housing Loans

All Nations Trust Company mortgage repayable in monthly instalments of \$2,660 including interest at 2.63%, maturing March 1, 2026.

\$ 329,151 \$ 352,200

All Nations Trust Company mortgage repayable in monthly instalments of \$2,228 including interest at 2.57%, maturing November 1, 2019.

141,227 164,097

All Nations Trust Company mortgage repayable in monthly instalments of \$2,617 including interest at 3.41%, maturing August 1, 2033

443,187 460,540

\$ 913,565 \$ 976,837

The above loans are secured by guarantees from CMHC and the Minister of Aboriginal Affairs and Northern Development Canada.

Estimated schedule principal repayments over the next five years are as follows:

2015	\$ 63,647
2016	65,449
2017	67,303
2018	69,211
2019	71,174

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

10. CONTINGENT LIABILITY

The Esquimalt Nation is contingently liable, under the Guaranteed Loan Management System administered by Aboriginal Affairs and Northern Development Canada in the amount of \$ 900,177 (2013 - \$ 963,449).

11. TANGIBLE CAPITAL ASSETS

Tangible capital assets comprise the following:

	Cost	Accumulated Amortization	Net Book Value	
			2014	2013
Buildings				
CMHC	\$ 2,018,416	\$ 1,107,504	\$ 910,912	\$ 958,855
Other	2,454,350	896,120	1,558,230	1,640,242
Infrastructure				
Sewer systems	59,954	36,859	23,095	24,310
Water systems	22,262	13,818	8,444	8,888
Subdivision	443,045	247,484	195,561	205,854
Roads	100,000	72,918	27,082	28,508
Equipment	203,647	186,490	17,157	21,446
Movable equipment	14,682	13,097	1,585	2,264
Automotive	11,800	3,540	8,260	-
	<u>\$ 5,328,156</u>	<u>\$ 2,577,830</u>	<u>\$ 2,750,326</u>	<u>\$ 2,890,367</u>

12. INVESTMENT IN SALISH SEA JOINT VENTURE

During 2012, the Nation, along with Songhees Nation and the Ralmax Group of Companies, formed the Salish Sea Joint Venture. This joint venture has as its main objective to secure specialized remediation projects along the Salish Sea area that will train and employ the members of the two Nations.

The parties to the Joint Venture each contributed \$350,000 to the Joint Venture to assist with its start-up and marketing.

In 2013, the Joint Venture was awarded a contract in a value exceeding \$6,000,000.

13. ECONOMIC DEPENDENCE

The Nation receives a significant portion of its revenues pursuant to funding arrangements with Aboriginal Affairs and Northern Development Canada. The Nation's ability to operate certain programs depends on the continuation of this funding.

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

14. FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

The carrying amount of cash, accounts receivable, funds held by the Government of Canada, accounts payable and accrued liabilities, demand loan and long-term debt approximates their fair value at March 31, 2014, due to the short-term maturities of these instruments or interest rates charged at market interest rates.

b) Financial risk

The Nation's financial risk is defined to mean the risk to the Nation's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Nation does not use derivative instruments to reduce its exposure to financial risk.

c) Credit risk

The Nation does not believe it is exposed to an unusual level of credit risk with respect to its accounts receivable.

15. HOUSING PROGRAM REPLACEMENT RESERVE

The rental housing program is obligated under its operating agreements with Canada Mortgage and Housing Corporation to transfer \$18,000 (2013 - \$18,000) to the replacement reserve annually. At March 31, 2012 and March 31, 2013, and in contravention of its agreements with CMHC, the replacement reserve was not fully funded. In 2011, the Nation and CMHC reached an agreement which required the Nation to fund the shortfall by way of monthly deposits of \$2,500 until the replacement reserve was fully funded. As at March 31, 2014, the Replacement Reserves were supplemented by \$56,474 in payments by the Nation and are now fully funded.

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

16. JAMES BAY SETTLEMENT AGREEMENT

Pursuant to an agreement dated as of November 18, 2006 and executed by the Esquimalt Nation, the Songhees Nation and the Governments of Canada and British Columbia on January 22, 2008, the Esquimalt Nation settled its claim with the Governments of Canada and British Columbia with respect to the area of land known as the 'James Bay Reserve' in Victoria, British Columbia. The agreement provides for the payment to the Nation of funds totalling \$15,750,000. The settlement funds are to be held in two trusts for the benefit of the Esquimalt Nation members. The 'James Bay Settlement Trust' was established on January 15, 2008 and initially held the sum of \$10,000,000 and the 'Replacement Lands Trust Fund' held an amount totalling \$4,250,000. The balance of the settlement compensation of \$1,500,000 was used to pay the costs associated with the claim and settlement process.

The terms of the settlement with the two governments stipulate that only the investment income earned from the James Bay Settlement Trust is available for use by the Nation. In addition, and in respect to the Replacement Lands Trust, those funds are to be utilized only for the acquisition of additional lands for the Nation's use.

During the year, the sum of \$ 338,294 (2013 - \$361,786) was received from the James Bay Settlement Trust and the Land Acquisition trust funds and a further \$297,385 is due from the Trust as at March 31, 2014.

17. PRIOR YEAR BALANCES

Certain of the prior year's balances have been restated to conform to the current year's presentation.

18. BUDGET FIGURES

The unaudited budget data presented in these financial statements are based on the operating and capital budgets approved by the Council.