

ESQUIMALT NATION

FINANCIAL STATEMENTS

March 31, 2018

ESQUIMALT NATION
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

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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 Professional 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:



Council Member

Council Member



Council Member



Council Member

Date



622A FISGARD STREET
VICTORIA, BRITISH COLUMBIA
V8W 1R6

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, 2018, 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 public sector accounting standards, 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, 2018 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 28, 2018

Chan & Associates
Chartered Professional Accountants

ESQUIMALT NATION

STATEMENT OF FINANCIAL POSITION as at March 31, 2018

	Restated - Note 20	
	2018	2017
<i>FINANCIAL ASSETS</i>		
Cash (Note 4)	\$ 2,391,773	\$ 2,409,961
Restricted cash (Note 5)	2,680,745	2,817,995
Accounts receivable (Note 6)	1,502,553	1,281,082
Ottawa Trust Funds (Note 7)	19,106	17,979
	<hr/> 6,594,177	<hr/> 6,527,017
<i>FINANCIAL LIABILITIES</i>		
Accounts payable and accrued liabilities (Note 8)	218,954	299,774
Deferred revenues (Note 9)	189,906	1,119,036
Long term debt (Note 10)	687,298	759,062
	<hr/> 1,096,158	<hr/> 2,177,872
<i>NET FINANCIAL ASSETS</i>	5,498,019	4,349,145
<i>NON FINANCIAL ASSETS</i>		
Tangible capital assets (Note 12)	3,808,892	3,983,512
Investments in Joint Ventures (Note 13)	2,389,449	2,105,031
Investment in Kosapsum Development Corporation	184,331	183,543
Prepaid expenses	63,455	44,283
	<hr/> 6,446,127	<hr/> 6,316,369
<i>ACCUMULATED SURPLUS</i>	\$11,944,146	\$10,665,514

COMMITMENTS - (Note 18)

Approved on behalf of the Esquimalt Nation Council

m. modest Councillor

R. H. Councillor

ESQUIMALT NATION

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS for the year ended March 31, 2018

		Restated - Note 20	
	Budget	2018	2017
<i>(Unaudited - Note 18)</i>			
REVENUES			
INAC	\$ 1,971,151	\$ 1,904,974	\$ 1,163,802
Government of Canada - other	8,000	8,922	30,965
Settlement Trust and fund (Note 17)	1,229,000	1,354,665	983,070
Commercial leases and residential rentals	338,390	364,957	374,398
Inter Tribal Health Authority	307,705	334,812	323,918
Capital Regional District	320,000	320,000	110,000
Joint venture investments	-	174,226	192,561
CMHC	203,968	206,526	108,473
CSETS and other First Nations sources	317,029	364,393	74,324
School District #61	60,000	60,000	60,000
Province of British Columbia	615,466	680,966	689,158
Ottawa Trust Funds	1,000	1,128	1,053
Other miscellaneous - net	1,154,590	1,077,905	227,266
Health Canada	90,002	90,002	85,310
	6,616,301	6,943,476	4,424,298
EXPENDITURES			
Nation generated	154,000	143,108	230,541
Nation administration	785,100	835,606	837,217
Education	233,918	251,910	255,335
Social assistance and health	581,589	493,274	590,057
Social Housing	220,459	223,858	340,512
Land use	73,000	73,000	-
Public works	186,093	163,827	132,331
Employment	78,773	92,571	85,718
Settlement Trust and fund activities	691,718	689,808	166,333
Economic development	596,328	619,175	1,059,280
Headstart	71,302	62,684	57,972
Economic Development - Land and Resources	1,385,000	1,259,276	259,549
Housing Capacity- Immediate Needs	103,000	-	103,000
Day Care Centre	231,148	231,109	-
Other miscellaneous programs	172,220	129,716	-
Housing Retrofit & RRAP program	158,634	170,957	60,089
	5,516,282	5,664,844	4,177,934
ANNUAL (DEFICIT) SURPLUS	1,100,019	1,278,632	246,364
ACCUMULATED SURPLUS, BEGINNING OF YEAR	10,493,028	10,665,514	10,419,150
ACCUMULATED SURPLUS, END OF YEAR	\$11,593,047	\$ 11,944,146	\$10,665,514

ESQUIMALT NATION

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS for the year ended March 31, 2018

	Budget	2018	Restated - Note 20 2017
<i>(Unaudited - Note 18)</i>			
Annual surplus (deficit)	\$ (67,237)	\$ 1,278,632	\$ 246,364
Acquisition of tangible capital assets	(75,000)	(41,068)	(75,145)
Amortization of tangible capital assets	220,000	215,658	219,744
(Income) loss Joint ventures	(50,000)	(174,226)	(150,246)
	27,763	1,278,996	240,717
Decrease (increase) in prepaid expenses	7,500	(19,172)	7,866
Advances/income from investments	-	(110,950)	-
Investment in Matullia Holdings Limited Partnership	-	-	(1,438,753)
	-	(130,122)	(1,430,887)
CHANGE IN FINANCIAL ASSETS	35,263	1,148,874	(1,190,170)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	4,349,145	4,349,145	5,539,315
NET FINANCIAL ASSETS, END OF YEAR	\$ 4,384,408	\$ 5,498,019	\$ 4,349,145

ESQUIMALT NATION

STATEMENT OF CASH FLOWS for the year ended March 31, 2018

	Restated - Note 20	
	2018	2017
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual Surplus (deficit)	\$ 1,278,632	\$ 246,364
Items not involving cash		
Amortization of tangible capital assets	215,658	219,744
Distributions from Trusts	(174,226)	(150,246)
Change in non-cash operating accounts	(1,250,593)	794,607
	<hr/>	<hr/>
	69,471	1,110,469
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(41,068)	(75,145)
INVESTING ACTIVITIES		
Funds advanced to investment entities	(110,950)	-
Funds invested in Matullia Holdings Limited Partnership	-	(1,438,753)
	<hr/>	<hr/>
	(110,950)	(1,438,753)
FINANCING ACTIVITIES		
Repayment of long-term debt	(71,764)	(70,092)
INCREASE (DECREASE) IN CASH		
	(154,311)	(473,521)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	5,245,935	5,719,456
CASH AND CASH EQUIVALENTS, END OF YEAR		
	\$ 5,091,624	\$ 5,245,935
CASH AND CASH EQUIVALENTS ARE REPRESENTED BY:		
Cash	\$ 2,391,773	\$ 2,409,961
Land Acquisition Trust fund	2,680,745	2,817,995
Ottawa Trust funds	19,106	17,979
	<hr/>	<hr/>
	\$ 5,091,624	\$ 5,245,935

ESQUIMALT NATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

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 Indigenous and Northern Affairs Canada)
- Nation reserves (housing replacement reserve)
- Nation Enterprise ventures

2. SIGNIFICANT ACCOUNTING POLICIES

a) *Basis of presentation*

- (I) These financial statements are prepared in accordance with Canadian public sector accounting standards. 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 and revenue recognition*

Government transfers from the Government of Canada (inclusive of Indigenous and Northern Affairs Canada ("INAC"), Health Canada and other departments), the Province of British Columbia, municipalities and other quasi-governmental entities (Canada Mortgage and Housing Corporation, school districts and the Inter Tribal 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 (see 2c below).

The Nation has signed a Comprehensive Funding Arrangement with INAC which stipulates that funding to the Nation will consist of flexible transfer payments and contribution payments. Funding under the flexible transfer payments requires the Nation to absorb any deficits in these projects and to use any surpluses from these projects at its discretion as long as the terms and conditions of the agreement have been met. Deficits in projects funded by contribution payments are recoverable from INAC and any surpluses must be returned to INAC.

ESQUIMALT NATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, *continued*

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.

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

Certain inherited assets and rights of the Nation and its members are not recorded in these accounts. These assets and rights include reserve lands and access rights to water, fisheries and minerals.

(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 public sector accounting standards 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. Accounts which may contain significant estimates and assumptions include tangible capital assets, the allowance for doubtful accounts and accounts payable and accrued liabilities.

ESQUIMALT NATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, *continued*

f) *Liability for contaminated site*

Certain of the reserve lands are contaminated from prior uses. The Nation and INAC have been remediating these lands over the past several years. In these past years, INAC has funded the remediation fully. The Nation is not able to ascertain the extent of any remaining remediation that is required nor the associated costs of these remediation activities.

At each financial reporting date, the Nation reviews the extent of the remediation remaining and the estimate of the costs relating to this remediation, if determinable. If this liability is determined with a degree of certainty, the liability will be recorded in the accounts of the Nation and will be reduced by the activities expended in the remediation process..

3. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2014 the Nation adopted the pronouncements of the Public Sector Accounting Board ("PSAB") in PS 3260 Liability for Contaminated Sites. These pronouncements require the changes to be applied prospectively. Prior to the adoption of this accounting policy, no policy was in place for this type of liability. The Nation has determined that it is unable to determine the extent of the future economic benefits that will be given up to fully remediate the contamination. Accordingly, no liability has been recorded in these statements (see Note 2f above).

4. CASH (BANK INDEBTEDNESS)

Cash (Bank indebtedness) is comprised of the following:

	2018	2017
Cash and GIC's	\$ 2,250,867	\$ 2,284,954
Replacement reserves	140,906	125,007
	<hr/>	<hr/>
	\$ 2,391,773	\$ 2,409,961

5. RESTRICTED CASH

Restricted cash in the amount of \$2,680,745 (2017 - \$2,817,995) 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

	2018	2017
Accounts receivable	\$ 1,322,706	\$ 1,145,122
Due from Members (see following)	179,847	135,960
	<hr/>	<hr/>
	\$ 1,502,553	\$ 1,281,082

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

6. ACCOUNTS RECEIVABLE, *continued*

Amounts due from Members comprise the following:

Rent	\$ 348,495	\$ 304,608
Less: allowance for doubtful accounts	<u>(168,648)</u>	<u>(168,648)</u>
	\$ 179,847	\$ 112,738

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 \$168,648. 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.

See Note 18 below for information relating to this account.

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 61 to 69 of the Indian Act. During the year, these funds earned interest in the amount of \$1,128 (2017 - \$1,053).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
General trade payables	\$ 192,098	\$ 245,631
Government remittances and recoverable amounts	-	3,997
Accrued liabilities	<u>26,856</u>	<u>50,146</u>
	\$ 218,954	\$ 299,774

9. DEFERRED REVENUES

	2018	2017
Deferred revenues comprise the following:		
Indigenous and Northern Affairs Canada	\$ 4,115	\$ 837,492
Capital Regional District	-	260,000
Miscellaneous funding sources	<u>15,547</u>	<u>21,544</u>
	\$ 19,662	\$ 31,219

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

10. LONG-TERM DEBT

	2018	2017
Social Housing Loans		
All Nations Trust Company mortgage repayable in monthly instalments of \$2,479 including interest at 1.14%, maturing March 1, 2026.	\$ 227,392	\$ 254,390
All Nations Trust Company mortgage repayable in monthly instalments of \$2,189 including interest at 1.83%, maturing November 1, 2019.	43,082	68,310
All Nations Trust Company mortgage repayable in monthly instalments of \$2,364 including interest at 2.35%, maturing August 1, 2033	366,824	386,362
	<hr/>	<hr/>
	637,298	709,062
Investment in Skwin'ang'eth Se'las Development Company		
Loan payable to Greater Victoria Harbour Authority without interest and repayable on March 31, 2018	<hr/>	<hr/>
	50,000	50,000
	<hr/>	<hr/>
	\$ 687,298	\$ 759,062

The Social Housing loans are secured by guarantees from CMHC and the Minister of Aboriginal Affairs and Northern Development Canada. Assets secured by these loans have a cost amount of \$2,018,416.

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

2019	\$ 73,002
2020	\$ 65,481
2021	\$ 48,893
2022	\$ 49,708
2023	\$ 50,539

11. CONTINGENT LIABILITY

The Esquimalt Nation is contingently liable, under the Guaranteed Loan Management System administered by Indigenous and Northern Affairs Canada in the amount of \$ 687,298 (2017 - \$ 759,062).

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

12. TANGIBLE CAPITAL ASSETS

Tangible capital assets comprise the following:

	Cost	Accumulated Amortization	Net Book Value	
			2018	2017
Buildings				
CMHC	\$ 2,018,416	\$ 1,276,473	\$ 741,943	\$ 780,993
Other	2,454,350	1,185,161	1,269,189	1,335,988
Longhouse	1,625,886	264,599	1,361,287	1,432,934
Infrastructure				
Sewer systems	59,954	41,143	18,811	19,800
Water systems	22,262	15,384	6,878	7,240
Subdivision	443,045	283,759	159,286	167,669
Roads	100,000	77,941	22,059	23,220
Dock	165,000	23,533	141,467	148,913
Equipment	272,356	218,348	54,008	66,211
Movable equipment	55,719	21,755	33,964	544
	\$ 7,216,988	\$ 3,408,096	\$ 3,808,892	\$ 3,983,512

13. INVESTMENT IN JOINT VENTURES

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 2016 the Nation, along with Songhees Nation and the Greater Victoria Harbour Authority, formed Skwin'ang'eth Se'las Development Company, a not-for-profit corporation formed under the Canada Not-for-Profit Corporations Act with the purpose of, among other things, promoting economic development opportunities for the Esquimalt Nation and Songhees Nation communities. During the 2016 fiscal year, the Nation advanced \$50,000 to the Company.

In the previous, the Nation along with Songhees Nation concluded their acquisition of certain lands from Transport Canada through their limited liability partnership, Matullia Holdings LLP. The Nation paid the sum of \$1,438,753 for its share of the acquisition.

In the current year, the Nation advanced funds of \$135,000 to Xhamasung Holdings LLP (a joint venture with Songhees Nation) to assist with the acquisition of certain lands in the partnership.

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

14. ECONOMIC DEPENDENCE

The Nation receives a significant portion of its revenues pursuant to funding arrangements with INAC. The Nation's ability to operate certain programs depends on the continuation of this funding.

15. 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 and long-term debt approximates their fair value at March 31, 2018, 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. The Nation's exposure to financial risk is limited to the investments in GIC's held by the Nation as at March 31, 2018 - \$1,634,201 (\$659,201 as at March 31, 2017).

c) Credit risk

The Nation does not believe it is exposed to an unusual level of credit risk with respect to its accounts receivable as an allowance for doubtful accounts in the amount of \$168,648 has been provided. The balance of the receivables are from government agencies.

16. HOUSING PROGRAM REPLACEMENT RESERVE

The rental housing program is obligated under its operating agreements with Canada Mortgage and Housing Corporation ("CMHC") to transfer \$18,000 (2017 - \$18,000) to the replacement reserve annually. Funds deposited into these accounts as well as interest earned thereon may only be used to acquire items outlined by CMHC. At March 31, 2018 the reserves are adequately funded (2017 - adequately funded).

17. 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.

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

17. JAMES BAY SETTLEMENT AGREEMENT, *continued*

During the year, the sum of \$ 270,774 (2017 - \$281,901 was received from the James Bay Settlement Trust and the Land Acquisition trust funds and a further \$1,083,891 is due from the Trust as at March 31, 2018 (2017 - \$681,169).

18. COMMITMENTS

The Nation and CMHC entered into a housing rehabilitation program in 2017 which provided funding in the amount of \$138,434 during the year. These funds were used to refurbish housing units at the Nation (see Schedule 20 below). Pursuant to this agreement, the funding provided by CMHC is a loan that may be forgiven by CMHC over a period of four years as long as the Nation continues to provide housing and adequate upkeep to these housing units over the period of the loan agreement.

19. SUBSEQUENT EVENTS

Cadboro Bay Litigation

Subsequent to the year end, the Nation along with Songhees Nation settled their lawsuit against the Government of Canada in respect of certain lands (the "Cadboro Bay Litigation"). This agreement called for the payment by the Government of Canada to the Nation of \$17,500,000. This payment was received by the Nation on May 23, 2018, net of legal and other charges. The agreement stipulates that the net proceeds are to be held in trust for the benefit of the members of the Nation. Accordingly, the Nation transferred the net settlement proceeds to the James Bay Settlement Trust.

Amounts Due from Members

As indicated in Note 6, certain Members of the Nation are in arrears with rent payments due for the housing provided by the Nation. Subsequent to the year end, over \$90,000 of the arrears were collected reducing the rental arrears to \$251,228 prior to the allowance for uncollectible amounts of \$168,648.

20. PRIOR YEAR BALANCES AND RESTATEMENT OF BALANCES

Prior to the release of these financial statements, certain information relating to the operations and financial transactions of two joint venture partnerships became available. That information, as it relates to Xhamasung Holdings Limited Partnership and Matulia Holdings Limited Partnership, both of which the Nation is a 50% owner, required the restatement of the equity earnings from these entities for 2017 and the current year. The net impact of these adjustments was to increase 2017 net earnings by \$172,486 and 2018 earnings by \$174,226 for a total change of \$346,712. In addition, certain of the prior year's balances have been restated to conform to the current year's presentation.

21. BUDGET FIGURES

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