

ESQUIMALT NATION
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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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 *Council Member*

Nov 13, 2019



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VICTORIA, BRITISH COLUMBIA
V8W 1R6

INDEPENDENT AUDITORS' REPORT

**TO THE CHIEF, COUNCIL AND MEMBERS
ESQUIMALT NATION**

Opinion

We have audited the financial statements of Esquimalt Nation (the "Nation"), which comprise the statement of financial position as at March 31, 2019 and the statements of operations and accumulated surplus, statement of changes in net financial assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Nation as at March 31, 2019 and the results of its financial performance and the changes in its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Nation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Nation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for over-seeing the Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including and significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 20 in these financial statements are unaudited and are presented as information only.

Victoria, British Columbia

November 13, 2019

Chan and Associates

CHARTERED PROFESSIONAL ACCOUNTANTS


ESQUIMALT NATION


STATEMENT OF FINANCIAL POSITION as at March 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash (Note 3)	\$ 12,634,557	\$ 2,391,773
Restricted cash (Note 4)	3,756,292	2,680,745
Accounts receivable (Note 5)	1,922,259	1,502,553
Ottawa Trust Funds (Note 6)	20,039	19,106
	18,333,147	6,594,177
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	415,157	218,954
Deferred revenues (Note 8)	542,627	189,906
Long term debt (Note 9)	614,426	687,298
	1,572,210	1,096,158
NET FINANCIAL ASSETS	16,760,937	5,498,019
NON FINANCIAL ASSETS		
Tangible capital assets (Note 11)	3,601,465	3,808,892
Investments in Joint Ventures (Note 12)	2,430,705	2,573,780
Prepaid expenses	58,884	63,455
	6,091,054	6,446,127
ACCUMULATED SURPLUS	\$ 22,851,991	\$ 11,944,146

COMMITMENTS - (Note 17)

Approved on behalf of the Esquimalt Nation Council

 Councillor

 Councillor

ESQUIMALT NATION

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS for the year ended March 31, 2019

	Budget	2019	2018
<i>(Unaudited - Note 20)</i>			
REVENUES			
INAC - ISC	\$ 1,652,685	\$ 1,647,268	\$ 1,904,974
Government of Canada - other (Note 18)	9,000	17,600,796	10,050
Settlement Trust and fund (Note 16)	1,229,000	1,701,069	1,354,665
Commercial leases and residential rentals	338,390	375,905	364,957
FNHA, CSETS and other First Nations sources	307,705	480,561	699,205
Capital Regional District	320,000	60,000	320,000
Joint venture investments	200,000	223,601	174,226
CMHC	203,968	48,011	206,526
School District #61	60,000	60,000	60,000
Province of British Columbia, BC Hydro & ICBC	615,466	6,862,115	680,966
Other miscellaneous - net	1,154,590	524,293	1,077,905
Health Canada	90,002	90,002	90,002
	6,180,806	29,673,621	6,943,476
EXPENDITURES			
Nation generated	478,840	479,038	143,108
Nation administration	726,700	827,360	835,606
Education	321,796	271,074	251,910
Social assistance and health	782,238	707,217	493,274
Social Housing	170,382	220,656	223,858
Land use and public works	221,336	246,049	236,827
Employment	127,212	135,944	92,571
Settlement Trusts and fund activities	1,170,000	14,342,384	689,808
Economic development	1,671,394	1,061,930	619,175
Headstart	90,002	78,510	62,684
Economic Development - Land and Resources	-	-	1,259,276
Day Care Centre	-	-	231,109
Other miscellaneous programs	172,220	395,614	129,716
Housing Retrofit & RRAP program	-	-	170,957
	5,932,120	18,765,776	5,664,844
ANNUAL (DEFICIT) SURPLUS	248,686	10,907,845	1,278,632
ACCUMULATED SURPLUS, BEGINNING OF YEAR	11,944,146	11,944,146	10,665,514
ACCUMULATED SURPLUS, END OF YEAR	\$12,192,832	\$ 22,851,991	\$11,944,146

ESQUIMALT NATION

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS for the year ended March 31, 2019

	Budget	2019	2018
<i>(Unaudited - Note 20)</i>			
Annual surplus (deficit)	\$ 248,686	\$ 10,907,845	\$ 1,278,632
Acquisition of tangible capital assets	(75,000)	-	(41,068)
Amortization of tangible capital assets	220,000	207,426	215,658
(Income) loss Joint ventures	(50,000)	(223,601)	(174,226)
	343,686	10,891,670	1,278,996
Decrease (increase) in prepaid expenses	7,500	4,572	(19,172)
Advances/income from investments	-	366,676	(110,950)
	-	371,248	(130,122)
CHANGE IN FINANCIAL ASSETS	351,186	11,262,918	1,148,874
NET FINANCIAL ASSETS, BEGINNING OF YEAR	5,498,019	5,498,019	4,349,145
NET FINANCIAL ASSETS, END OF YEAR	\$ 5,849,205	\$ 16,760,937	\$ 5,498,019

ESQUIMALT NATION

STATEMENT OF CASH FLOWS for the year ended March 31, 2019

	2019	2018
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual Surplus (deficit)	\$ 10,907,845	\$ 1,278,632
Items not involving cash		
Amortization of tangible capital assets	207,426	215,658
Joint venture income allocations	(223,601)	(174,226)
Change in non-cash operating accounts	129,217	(1,250,593)
	11,020,887	69,471
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	-	(41,068)
INVESTING ACTIVITIES		
Return of advance - Salish Sea Industrial Services	350,000	-
Funds advanced (to) from investment entities	21,249	(110,950)
	371,249	(110,950)
FINANCING ACTIVITIES		
Repayment of long-term debt	(72,872)	(71,764)
INCREASE (DECREASE) IN CASH	11,319,264	(154,311)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,091,624	5,245,935
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 16,410,888	\$ 5,091,624
CASH AND CASH EQUIVALENTS ARE REPRESENTED BY:		
Cash	\$ 12,634,557	\$ 2,391,773
Land Acquisition Trust fund	2,680,745	2,680,745
Cadboro Bay Minors Trust	1,075,547	-
Ottawa Trust funds	20,039	19,106
	\$ 16,410,888	\$ 5,091,624

ESQUIMALT NATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

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)

The following entities have been reported herein under the modified equity method such that if an entity does not conform with accounting principles of the Nation, it is modified to be consistent with the Nation. The Nation's investment in these entities is recorded at acquisition cost and is increased or decreased by the Nation's proportionate interest in the entity and by cash advances made or received. Entities recorded using the modified equity method include:

- Matullia Holdings Limited Partnership
- Skungeenes Holdings Limited Liability Partnership
- Xhamasung Holdings Limited Partnership
- Salish Sea Industrial Services Ltd.

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"), Indigenous Services Canada (ISC), 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).

ESQUIMALT NATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES, *continued*

The Nation has signed a Comprehensive Funding Arrangement with INAC - ISC 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 - ISC and any surpluses must be returned to INAC - ISC.

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.

ESQUIMALT NATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES, *continued*

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.

f) Liability for contaminated site

Certain of the reserve lands are contaminated from prior uses. The Nation and INAC - ISC have been remediating these lands over the past several years. In these past years, INAC - ISC 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.

g) Newly adopted accounting standards

- (i) PS 2200, Related Party Disclosures. This pronouncement defines a related party establishes disclosures required for related party transactions and provides guidance with respect to related parties and disclosure standard. Disclosure is generally required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated and those transactions would have a material financial effect on the financial statements.
- (ii) PS 3420, Inter-Entity Transactions. This pronouncement establishes standards of how to account for and report/disclose transactions between public sector entities that comprise a government reporting entity from both a provider and recipient perspective.
- (iii) PS 3210, Assets. This pronouncement provides guidance for applying the definition of assets set out in Financial Statement Concepts, Section PS 1000 and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required and the reasons why it is not recognized should be disclosed .
- (iv) PS 3380 Contractual Rights. This pronouncement defines and establishes disclosure standards on contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.
- (v) PS 3400 Revenue. This pronouncement establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES, *continued*

g) Newly adopted accounting standards

include performance obligations (recognize the revenue when (or as) the entity satisfies a performance obligation) and transactions that do not have performance obligations (recognize the revenue the entity has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event that gives rise to an asset).

There was no impact to the consolidated financial statements upon transition to these new standards.

3. CASH (BANK INDEBTEDNESS)

Cash (Bank indebtedness) is comprised of the following:

	2019	2018
Cash and GIC's	\$ 12,503,541	\$ 2,250,867
Replacement reserves	131,016	140,906
	<u>\$ 12,634,557</u>	<u>\$ 2,391,773</u>

4. RESTRICTED CASH

Restricted cash is comprised of two amounts. An amount of \$2,680,745 (2018 - \$2,680,745) which 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.

In addition, an amount of \$1,075,547 is held in a trust account at RBC for the payment of amounts due to minor members of the Nation (under the age of nineteen) from the Cadboro Bay Settlement agreement (see Note 18, below).

5. ACCOUNTS RECEIVABLE

Account receivable is comprised of the following:

Operation fund

	2019	2018
Accounts receivable	\$ 1,839,939	\$ 1,322,706
Due from Members (see below)	82,320	179,847
	<u>\$ 1,922,259</u>	<u>\$ 1,502,553</u>

Amounts due from Members comprise the following:

Rent	\$ 250,968	\$ 348,495
Less: allowance for doubtful accounts	(168,648)	(168,648)
	<u>\$ 82,320</u>	<u>\$ 179,847</u>

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019

5. ACCOUNTS RECEIVABLE, *continued*

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

See Note 18 below for information relating to this account.

6. 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 \$933 (2018 - \$1,128).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
General trade payables	\$ 379,129	\$ 192,098
Government remittances and recoverable amounts	7,877	-
Accrued liabilities	28,151	26,856
	<u>\$ 415,157</u>	<u>\$ 218,954</u>

8. DEFERRED REVENUES

Deferred revenues comprise the following:

	2019	2018
INAC - ISC	\$ 345,671	\$ 174,359
Province of British Columbia	103,848	-
Miscellaneous funding sources	93,108	15,547
	<u>\$ 542,627</u>	<u>\$ 189,906</u>

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019

9. LONG-TERM DEBT

	2019	2018
Social Housing Loans		
All Nations Trust Company mortgage repayable in monthly instalments of \$2,479 including interest at 1.14%, maturing March 1, 2026.	\$ 200,086	\$ 227,392
All Nations Trust Company mortgage repayable in monthly instalments of \$2,189 including interest at 1.83%, maturing November 1, 2019.	17,389	43,082
All Nations Trust Company mortgage repayable in monthly instalments of \$2,364 including interest at 2.35%, maturing August 1, 2033	346,951	366,824
	564,426	637,298
Investment in Skwin'ang'eth Se'las Development Company		
Loan payable to Greater Victoria Harbour Authority without interest and repayable on March 31, 2019	50,000	50,000
	\$ 614,426	\$ 687,298

The Social Housing loans are secured by guarantees from CMHC and the Minister of Indigenous and Northern Affairs Canada / Indigenous Services 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

10. CONTINGENT LIABILITY

The Esquimalt Nation is contingently liable, under the Guaranteed Loan Management System administered by Indigenous and Northern Affairs Canada / Indigenous Services Canada in the amount of \$ 614,426 (2018 - \$ 687,298).

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019

11. TANGIBLE CAPITAL ASSETS

Tangible capital assets comprise the following:

	Cost	Accumulated Amortization	Net Book Value	
			2019	2018
Buildings				
CMHC	\$ 2,018,416	\$ 1,313,570	\$ 704,846	\$ 741,943
Other	2,454,350	1,248,621	1,205,729	1,269,189
Longhouse	1,625,886	332,663	1,293,223	1,361,287
Infrastructure				
Sewer systems	59,954	42,084	17,870	18,811
Water systems	22,262	15,728	6,534	6,878
Subdivision	443,045	291,723	151,322	159,286
Roads	100,000	79,044	20,956	22,059
Dock	165,000	30,607	134,393	141,467
Equipment	272,356	229,150	43,206	54,008
Movable equipment	55,719	32,333	23,386	33,964
	<u>\$ 7,216,988</u>	<u>\$ 3,615,523</u>	<u>\$ 3,601,465</u>	<u>\$ 3,808,892</u>

12. 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. During the current fiscal year, these funds were returned to the Nation.

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 2017 fiscal year, 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 2018 fiscal 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, 2019

12. INVESTMENT IN JOINT VENTURES, *continued*

The summarized financial information from these investments is presented below.

	Matullia Holdings LP	Skungeenes Holdings LLP	Xhamasung Holdings LP	Salish Sea Industrial Services Ltd.
	March 31, 2019	March 31, 2019	March 31, 2019	September 30, 2018
ASSETS				
Cash	\$ 752,365	\$ 16,959	\$ 204,654	\$ 372,997
Due from related parties	105,285	-	-	-
Other	-	-	18,316	19,513
Land and equipment	1,254,652	-	2,385,085	16,081
Total Assets	2,112,302	16,959	2,608,055	408,591
LIABILITIES				
Accounts payable and accruals	5,135	2,347	101,231	85,855
Due to related parties	-	-	-	224,000
Mortgages and long-term debts	-	-	2,305,807	-
Total Liabilities	5,135	2,347	2,407,038	309,855
NET ASSETS	\$ 2,107,167	\$ 14,612	\$ 201,017	\$ 98,736
Income Statement				
Total Revenue	\$ 308,438	\$ 11,250	\$ 330,779	\$ 75,646
Total Expenses	21,980	(4,614)	388,062	97,083
Net surplus (expenditure)	\$ 286,458	\$ 15,864	\$ (57,283)	\$ (21,437)

The Nation is a 50% partner in Matullia Holdings LP, Skungeenes Holdings LLP and Xhamasung Holdings LP as well as a one-third (33.33%) owner of Salish Sea Industrial Services Ltd.

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019

13. ECONOMIC DEPENDENCE

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

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 and long-term debt approximates their fair value at March 31, 2019, 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, 2019 - \$3,967,695 (\$1,634,201 as at March 31, 2018).

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.

15. 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 (2018 - \$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, 2019 the reserves are adequately funded (2018 - adequately funded).

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019

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 \$ 298,044 (2018 - \$270,774) was received from the James Bay Settlement Trust and the Land Acquisition trust funds and a further \$1,434,067 is due from the Trust as at March 31, 2019 (2018 - \$1,083,891).

17. 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.

18. CADBORO BAY SETTLEMENT

On May 23, 2018 the Government of Canada settled with the Nation and Songhees Nation the two Nations' claim for compensation in respect of certain lands known as the 'Chekonein Treaty Lands' (Cadboro Bay). Each Nation received a settlement payment of \$17,500,000. Esquimalt Nation received a net amount of \$16,370,396 after 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, but, allowed for the one-time payment of \$10,000 to each member of the Nation that was alive as at November 20, 2017. For those members who had not attained the age of majority as at November 20, 2017, the distribution amounts would be transferred to a separate account to be paid out when those minor children reached the age of nineteen. In addition, the Nation also transferred funds to GIC's to be used for future land development and acquisition (\$1,250,000) and future litigation (\$1,000,000). The balance was then transferred to James Bay Settlement Trust for investment purposes.

Amounts Due from Members

As indicated in Note 5, certain Members of the Nation are in arrears with rent payments due for the housing provided by the Nation. Coterminous with the above Settlement over \$90,000 of the arrears

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

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18. CADBORO BAY SETTLEMENT , *continued*

were collected reducing the rental arrears to \$250,968 prior to the allowance for uncollectible amounts of \$168,648.

The following schedule provides the details of the Settlement and the transactions above:

Settlement proceeds	\$ 17,500,000
Legal and other costs	(1,132,780)
GIC's purchased	(2,250,000)
Transfers to Members	(1,840,072)
Transfer to Trust for minors	(1,090,000)
Transfer to James Bay Settlement Trust	(11,150,035)
Members not located	<u>(30,000)</u>
Excess funds retained by Nation	<u>\$ 7,113</u>

19. PRIOR YEAR BALANCES

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

20. BUDGET FIGURES

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