

ESQUIMALT NATION

FINANCIAL STATEMENTS

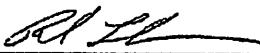
March 31, 2020

MESSAGE FROM CHIEF and COUNCILLORS ESQUIMALT NATION

The accompanying audited consolidated financial statements of Esquimalt Nation as at March 31, 2020 are presented here for your review under protest. It is the our view 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 under the auspices of the *First Nations Financial Transparency Act* to publish these consolidated financial statements for the general public, inclusive of our competitors, 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 and are self-funded, 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 view, as well as that of numerous other First Nations across Canada, that the Government of Canada does not have the authority to compel our Nation to provide these consolidated financial statements to anyone other than our own Members.

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


On behalf of Council,
Chief Rob Thomas

ESQUIMALT NATION
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

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MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The accompanying financial statements of Esquimalt Nation as at March 31, 2020 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.

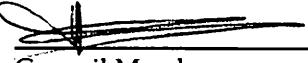
The external auditors, Chan & Associates, Chartered Professional Accountants, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Esquimalt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

Signed on behalf of Esquimalt Nation on October 22, 2020:


Chief


Council Member


Council Member


Council Member


Council Member


Council Member



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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, 2020 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, 2020 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

October 22, 2020

Chan & Associates
CHARTERED PROFESSIONAL ACCOUNTANTS

ESQUIMALT NATION

STATEMENT OF FINANCIAL POSITION
as at March 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash (Note 3)	\$ 13,255,578	\$ 12,634,557
Restricted cash (Note 4)	3,709,192	3,756,292
Accounts receivable (Note 5)	1,980,585	1,922,259
Ottawa Trust Funds (Note 6)	21,316	20,039
	<hr/> 18,966,671	<hr/> 18,333,147
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	411,426	415,157
Deferred revenues (Note 8)	632,089	542,627
Long term debt (Note 9)	549,206	614,426
	<hr/> 1,592,721	<hr/> 1,572,210
NET FINANCIAL ASSETS	<hr/> 17,373,950	<hr/> 16,760,937
NON FINANCIAL ASSETS		
Tangible capital assets (Note 11)	3,497,020	3,601,465
Investments in Joint Ventures (Note 12)	2,614,296	2,430,705
Prepaid expenses	70,747	58,884
	<hr/> 6,182,063	<hr/> 6,091,054
ACCUMULATED SURPLUS	<hr/> \$ 23,556,013	<hr/> \$ 22,851,991

COMMITMENTS - (Note 17)

Approved on behalf of the Esquimalt Nation Council

M. Mochata Councillor  Councillor

ESQUIMALT NATION

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS for the year ended March 31, 2020

	Budget	2020	2019
<i>(Unaudited - Note 20)</i>			
REVENUES			
INAC - ISC	\$ 1,400,905	\$ 1,426,721	\$ 1,647,268
Government of Canada - other (Note 18)	421,296	482,541	17,600,796
Settlement Trust and fund (Note 16)	1,632,000	1,636,103	1,701,069
Commercial leases and residential rentals	427,580	424,553	375,905
FNHA, CSETS and other First Nations sources	1,307,509	1,309,970	480,561
Capital Regional District	60,000	60,000	60,000
Joint ventures and investments	885,135	890,108	223,601
CMHC	80,608	82,195	48,011
School District #61	57,754	57,754	60,000
Province of British Columbia, BC Hydro & ICBC	226,310	249,051	6,862,115
Other miscellaneous - net	288,930	263,428	524,293
Health Canada	91,802	93,602	90,002
	6,879,829	6,976,026	29,673,621
EXPENDITURES			
Nation generated	325,910	300,135	479,038
Nation administration	873,680	897,027	827,360
Education	262,425	257,084	271,074
Social assistance and health	891,002	814,561	707,217
Social Housing	283,250	358,551	220,656
Land use and public works	200,350	217,053	246,049
Employment	152,749	132,331	135,944
Settlement Trusts and fund activities	1,886,240	1,880,614	14,342,384
Economic development	1,008,063	986,418	1,061,930
Headstart	91,802	82,682	78,510
Economic Development - Land and Resources	-	-	-
Day Care Centre	-	-	-
Other miscellaneous programs	284,368	345,548	395,614
Housing Retrofit & RRAP program	-	-	-
	6,259,839	6,272,004	18,765,776
ANNUAL (DEFICIT) SURPLUS	619,990	704,022	10,907,845
ACCUMULATED SURPLUS, BEGINNING OF YEAR	22,851,991	22,851,991	11,944,146
ACCUMULATED SURPLUS, END OF YEAR	\$23,471,981	\$ 23,556,013	\$ 22,851,991

ESQUIMALT NATION

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS for the year ended March 31, 2020

	Budget	2020	2019
<i>(Unaudited - Note 20)</i>			
Annual surplus (deficit)	\$ 619,990	\$ 704,022	\$ 10,907,845
Acquisition of tangible capital assets	(75,000)	(97,189)	-
Amortization of tangible capital assets	205,000	201,634	207,426
(Income) loss in Joint ventures	(250,000)	(308,591)	(223,601)
	<hr/>	<hr/>	<hr/>
	499,990	499,876	10,891,670
	<hr/>	<hr/>	<hr/>
Decrease (increase) in prepaid expenses	(10,000)	(11,863)	4,572
Advances/income from investments	-	125,000	366,676
	<hr/>	<hr/>	<hr/>
	(10,000)	113,137	371,248
	<hr/>	<hr/>	<hr/>
CHANGE IN FINANCIAL ASSETS	489,990	613,013	11,262,918
	<hr/>	<hr/>	<hr/>
NET FINANCIAL ASSETS, BEGINNING OF YEAR	16,760,937	16,760,937	5,498,019
	<hr/>	<hr/>	<hr/>
NET FINANCIAL ASSETS, END OF YEAR	\$ 17,250,927	\$ 17,373,950	\$ 16,760,937

ESQUIMALT NATION

STATEMENT OF CASH FLOWS for the year ended March 31, 2020

	2020	2019
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual Surplus (deficit)	\$ 704,022	\$ 10,907,845
Items not involving cash		
Amortization of tangible capital assets	201,634	207,426
Joint venture income allocations	(308,591)	(223,601)
Change in non-cash operating accounts	15,542	129,217
	<hr/>	<hr/>
	612,607	11,020,887
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(97,189)	-
INVESTING ACTIVITIES		
Return of advance - Salish Sea Industrial Services	-	350,000
Funds advanced (to) from investment entities	125,000	21,249
	<hr/>	<hr/>
	125,000	371,249
FINANCING ACTIVITIES		
Repayment of long-term debt	(65,220)	(72,872)
INCREASE (DECREASE) IN CASH		
	575,198	11,319,264
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	16,410,888	5,091,624
CASH AND CASH EQUIVALENTS, END OF YEAR		
	<hr/>	<hr/>
	\$ 16,986,086	\$ 16,410,888
CASH AND CASH EQUIVALENTS ARE REPRESENTED BY:		
Cash	\$ 13,255,578	\$ 12,634,557
Land Acquisition Trust fund	2,670,745	2,680,745
Cadboro Bay Minors Trust	1,038,447	1,075,547
Ottawa Trust funds	21,316	20,039
	<hr/>	<hr/>
	\$ 16,986,086	\$ 5,091,624

ESQUIMALT NATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

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.
- 1161742 B.C. Ltd.
- Kosapsum Development Corporation

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, 2020

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, 2020

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, 2020

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:

	2020	2019
Cash and GIC's	\$ 13,113,450	\$ 12,503,541
Replacement reserves	142,128	131,016
	<hr/> \$ 13,255,578	<hr/> \$ 12,634,557

4. RESTRICTED CASH

Restricted cash is comprised of two amounts. An amount of \$2,670,745 (2019 - \$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 \$1,038,447 (2019 - \$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

	2020	2019
Accounts receivable	\$ 1,844,671	\$ 839,939
Due from Members (see below)	<hr/> 135,914	<hr/> 82,320
	<hr/> \$ 1,980,585	<hr/> \$ 1,922,259

Amounts due from Members comprise the following:

Rent

Less: allowance for doubtful accounts

\$ 304,562	\$ 250,968
<hr/> (168,648)	<hr/> (168,648)
<hr/> \$ 135,914	<hr/> \$ 82,320

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

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 \$1,277 (2019 - \$ 933).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
General trade payables	\$ 294,312	\$ 379,129
Government remittances and recoverable amounts	- 7,877	
Accrued liabilities	<u>117,114</u>	<u>28,151</u>
	<hr/>	<hr/>
	\$ 411,426	\$ 415,157

8. DEFERRED REVENUES

	2020	2019
Deferred revenues comprise the following:		
INAC - ISC	\$ 628,241	\$ 345,671
Province of British Columbia	3,848	103,848
Miscellaneous funding sources	- 93,108	
	<hr/>	<hr/>
	\$ 632,089	\$ 542,627

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2020

9. LONG-TERM DEBT

	2020	2019
Social Housing Loans		
All Nations Trust Company mortgage repayable in monthly instalments of \$2,479 including interest at 1.14%, maturing March 1, 2026.	\$ 172,472	\$ 200,086
All Nations Trust Company mortgage repayable in monthly instalments of \$2,189 including interest at 1.83%, maturing November 1, 2020.	-	17,389
All Nations Trust Company mortgage repayable in monthly instalments of \$2,364 including interest at 2.35%, maturing August 1, 2033	<u>326,734</u>	<u>346,951</u>
	499,206	564,426
Investment in Skwin'ang'eth Se'las Development Company		
Loan payable to Greater Victoria Harbour Authority without interest and repayable on March 31, 2020	<u>50,000</u>	<u>50,000</u>
	<u>\$ 549,206</u>	<u>\$ 614,426</u>

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:

2020	\$ 65,481
2021	\$ 48,893
2022	\$ 49,708
2023	\$ 50,539
2024	\$ 51,348

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 \$ 549,206 (2019 - \$ 614,426).

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

11. TANGIBLE CAPITAL ASSETS

Tangible capital assets comprise the following:

	Cost	Accumulated Amortization	Net Book Value	
			2020	2019
Buildings				
CMHC	\$ 2,018,416	\$ 1,348,812	\$ 669,604	\$ 704,846
Other	2,454,350	1,308,908	1,145,442	1,205,729
Longhouse	1,625,886	397,324	1,228,562	1,293,223
Infrastructure				
Sewer systems	59,954	42,977	16,977	17,870
Water systems	22,262	16,055	6,207	6,534
Subdivision	443,045	299,289	143,756	151,322
Roads	100,000	80,092	19,908	20,956
Dock	165,000	37,326	127,674	134,393
Deck	46,800	2,340	44,460	-
Equipment	287,419	239,297	48,422	43,206
Movable equipment	55,719	39,738	15,980	23,386
Automotive	35,327	5,299	30,028	-
	\$ 7,314,178	\$ 3,817,158	\$ 3,497,020	\$ 3,601,465

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 previous 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 2019 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, 2020

12. INVESTMENT IN JOINT VENTURES, *continued*

The Nation's ownership interests from these investments is presented below:

	Matullia Holdings LP March 31, 2020	Skungeenes Holdings LLP March 31, 2020	Xhamasung Holdings LP March 31, 2020	Salish Sea Industrial Services Ltd. September 30, 2019	1161742 BC Ltd. March 31, 2020	Kosapsum Development March 31, 2020
ASSETS						
Cash	\$ 831,260	\$ 810	\$ 178,542	\$ 484,588	\$ 135,628	\$ 63,977
Due from related parties	289,392	-	122	-	-	-
Other	152,816	-	20,657	362,732	6,684	-
Land and equipment	1,096,591	-	2,294,867	13,364	133,327	-
Total Assets	2,370,059	810	2,494,188	860,684	275,639	63,977
LIABILITIES						
Accounts payable and accruals	9,967	7,026	90,902	272,583	625	-
Due to related parties	-	-	9,364	224,000	276,803	-
Mortgages and long-term debts	-	-	2,278,969	-	-	-
Total Liabilities	9,967	7,026	2,379,235	496,583	277,428	-
NET ASSETS	\$ 2,360,092	\$ (6,216)	\$ 114,953	\$ 364,101	\$ (1,789)	\$ 63,977
Total Revenue	\$ 260,000	\$ -	\$ 418,289	\$ 368,008	\$ 1,970	\$ 72,866
Total Expenses	15,566	(20,828)	377,433	102,642	1,075	8,889
Net surplus (expenditure)	\$ 244,434	\$ (20,828)	\$ 40,856	\$ 265,366	\$ 895	\$ 63,977

The Nation is a 50% partner in Matullia Holdings LP, Skungeenes Holdings LLP, Xhamasung Holdings LP and 1161742 BC Ltd, as well as a one-third (33.33%) owner of Salish Sea Industrial Services Ltd. Kosapsum Development Corporation is wholly-owned by the Nation.

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

12. INVESTMENT IN JOINT VENTURES, *continued*

The fully summarized financial information from these investments is presented below.

	Matullia Holdings LP March 31, 2020	Skungeenes Holdings LLP March 31, 2020	Xhamasung Holdings LP March 31, 2020	Salish Sea Industrial Services Ltd. September 30, 2019	1161742 BC Ltd. March 31, 2020	Kosapsum Development March 31, 2020
ASSETS						
Cash	\$ 1,662,520	\$ 1,620	\$ 357,084	\$ 1,453,763	\$ 271,255	\$ 63,977
Due from related parties	578,783	-	244	-	-	-
Other	305,632	-	41,313	1,088,195	13,368	-
Land and equipment	2,193,182	-	4,589,734	40,092	266,653	-
Total Assets	4,740,117	1,620	4,988,375	2,582,050	551,276	63,977
LIABILITIES						
Accounts payable and accruals	19,933	14,051	181,804	817,749	1,250	-
Due to related parties	-	-	18,727	672,000	553,606	-
Mortgages and long-term debts	-	-	4,557,936	-	-	-
Total Liabilities	19,933	14,051	4,758,467	1,489,749	554,856	-
NET ASSETS	\$ 4,720,184	\$ (12,431)	\$ 229,908	\$ 1,090,301	\$ (3,580)	63,977
Total Revenue	\$ 520,000	\$ -	\$ 836,578	\$ 1,104,024	\$ 3,939	\$ 72,866
Total Expenses	31,132	(41,656)	754,866	307,928	2,150	8,889
Net surplus (expenditure)	\$ 488,868	\$ (41,656)	\$ 81,712	\$ 796,096	\$ 1,789	\$ 63,977

The Nation is a 50% partner in Matullia Holdings LP, Skungeenes Holdings LLP, Xhamasung Holdings LP and 1161742 BC Ltd, as well as a one-third (33.33%) owner of Salish Sea Industrial Services Ltd. Kosapsum Development Corporation is wholly-owned by the Nation.

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

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, 2020, 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, 2020 - NIL (\$3,967,695 as at March 31, 2019).

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 (2019 - \$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, 2020 the reserves are adequately funded (2019 - adequately funded).

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

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 \$ 227,000 (2019 - \$298,044) was received from the James Bay Settlement Trust and the Land Acquisition trust funds and a further \$1,409,103 is due from the Trust as at March 31, 2020 (2019 - \$1,434,067). During the year, the Nation paid to the Trust the sum \$1,434,067 in respect of the erosion of capital due to inflation.

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 previous. 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.

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2020

18. CADBORO BAY SETTLEMENT, *continued*

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. Coterminal with the above Settlement over \$90,000 of the arrears were collected in 2019 reducing the rental arrears to \$250,968 prior to the allowance for uncollectible amounts of \$168,648. During 2020, those arrears have risen to \$304,562.

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.

ESQUIMALT NATION

SCHEDULE OF SEGMENTED INFORMATION

For The Year Ended March 31, 2020

	Nation Administration	Nation Generated	Social Education	Assistance	Housing	Land Use & Public Works	Employment	Trust Activities	Economic Development	Other	Annual Totals	
											2020	2019
Revenues												
Federal government	231,505	-	148,013	580,958	77,600	362,898	-	-	290,459	345,626	2,037,059	1,971,160
Province of BC	15,000	-	11,468	-	-	-	-	-	222,583	-	249,051	6,837,452
Nation Activities and Efforts	-	245,664	-	-	157,987	30,066	-	-	-	600,020	1,033,736	433,960
Investments	238,491	-	-	-	2,978	-	-	66,594	-	-	308,063	481,264
Trust Activities	-	-	-	-	-	-	-	1,636,103	-	1,277	1,637,380	1,701,069
Settlement proceeds	-	-	-	-	-	-	-	-	-	-	-	17,500,002
Other	2,496	-	162,815	805,301	-	4,584	129,813	-	585,728	20,000	1,710,736	748,714
	487,492	245,664	322,296	1,386,259	238,565	397,548	129,813	1,702,697	1,098,769	966,923	6,976,025	29,673,621
Expenses												
Operations	52,679	36,481	4,453	64,672	40,857	40,816	939	90,000	1,698	-	332,594	402,775
Program and services	186,276	132,713	119,910	482,348	101,917	163,659	28,877	1,770,515	258,536	123,432	3,368,184	14,775,837
Salaries, wages and benefits	520,882	9,279	105,165	342,962	72,511	-	102,515	-	267,295	137,462	1,558,070	1,070,641
Professional fees	14,204	45,552	24,886	2,400	6,000	-	-	20,102	455,480	84,653	653,276	1,959,618
Equipment	14,939	5,030	122	1,190	8,853	1,009	-	-	3,409	-	34,553	118,361
Insurance	-	31,880	2,548	3,671	20,056	1,734	-	-	-	-	59,890	48,001
Security breach	-	39,200	-	-	-	-	-	-	-	-	39,200	153,437
Amortization	108,047	-	-	-	83,753	9,834	-	-	-	-	201,634	207,426
Interest	-	-	-	-	11,604	-	-	-	-	-	11,604	11,680
Replacement reserves	-	-	-	-	13,000	-	-	-	-	-	13,000	18,000
	897,027	300,135	257,084	897,243	358,551	217,053	132,331	1,880,616	986,418	345,548	6,272,004	18,765,776
Annual Surplus (Deficit)	(409,535)	(54,471)	65,212	489,016	(119,986)	180,495	(2,518)	(177,919)	112,351	621,375	704,022	10,907,845