

ESQUIMALT NATION

FINANCIAL STATEMENTS

March 31, 2022

ESQUIMALT NATION
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

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MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The accompanying financial statements of Esquimalt Nation as at March 31, 2022 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 November 9, 2022:



Chief



Council Member



Council Member



Council Member



Council Member

Council Member



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, 2022 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, 2022 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.

Victoria, British Columbia

November 9, 2022



CHARTERED PROFESSIONAL ACCOUNTANTS

ESQUIMALT NATION

STATEMENT OF FINANCIAL POSITION as at March 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash (Note 3)	\$ 18,276,836	\$ 14,914,210
Restricted cash (Note 4)	3,558,780	3,765,041
Accounts receivable (Note 5)	2,455,418	2,575,779
Ottawa Trust Funds (Note 6)	23,482	22,307
	24,314,516	21,277,337
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	351,093	833,594
Deferred revenues (Note 8)	91,923	156,220
Long term debt (Note 9)	1,538,171	690,255
	1,981,187	1,680,069
NET FINANCIAL ASSETS	22,333,329	19,597,268
NON FINANCIAL ASSETS		
Tangible capital assets (Note 11)	7,467,467	3,329,552
Construction in progress (Note 11)	-	2,580,303
Investments in Nation business enterprises and partnerships (Note 12)	3,127,396	3,096,282
Prepaid expenses	102,397	76,294
	10,697,260	9,082,431
ACCUMULATED SURPLUS	\$ 33,030,589	\$ 28,679,699

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, 2022

	Budget	2022	2021
REVENUES			
ISC	\$ 2,654,968	\$ 2,563,046	\$ 3,017,920
Government of Canada - other	1,325,000	1,651,709	588,099
Settlement Trust and fund (Note 16)	1,625,000	1,893,396	1,899,888
Commercial leases and residential rentals	365,011	364,986	544,544
FNHA, CSETS and other First Nations sources	1,631,500	1,796,503	1,626,794
Capital Regional District	-	-	224,945
Earnings from Nation business enterprises and partnerships (note 12)	300,000	45,710	481,986
Investment income	100,000	83,967	111,302
CMHC	35,000	33,771	69,384
School District #61	85,683	105,683	58,227
Province of British Columbia	600,000	602,096	1,379,216
Other miscellaneous - net	525,000	445,039	809,278
	9,247,162	9,585,906	10,811,583
EXPENDITURES			
Nation generated	214,450	265,644	178,534
Nation administration	1,024,500	957,561	939,743
Education	470,523	392,177	387,026
Social assistance and health	1,590,917	887,472	1,091,479
Social Housing	118,299	448,072	326,793
Land use and public works	250,076	266,006	1,020,492
Employment	204,566	181,355	107,102
Settlement Trusts and fund activities	100,000	79,097	263,041
Economic development	1,496,737	1,270,012	1,118,870
Other miscellaneous programs	372,887	487,620	254,817
	5,842,955	5,235,016	5,687,897
ANNUAL (DEFICIT) SURPLUS	3,404,207	4,350,890	5,123,686
ACCUMULATED SURPLUS, BEGINNING OF YEAR	28,679,699	28,679,699	23,556,013
ACCUMULATED SURPLUS, END OF YEAR	\$32,083,906	\$ 33,030,589	\$ 28,679,699

ESQUIMALT NATION

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS for the year ended March 31, 2022

	Budget	2022	2021
Annual surplus (deficit)	\$ 3,404,207	\$ 4,350,890	\$ 5,123,686
Acquisition of tangible capital assets	(1,925,000)	(1,836,693)	(24,147)
Amortization of tangible capital assets	235,000	293,677	191,615
Construction in progress	-	-	(2,580,303)
(Income) in Nation Business Enterprises and Partnerships	(300,000)	(45,710)	(481,986)
	1,414,207	2,762,164	2,228,865
Decrease (increase) in prepaid expenses	(25,000)	(26,103)	(5,547)
Advances/income from investments	-	-	-
	(25,000)	(26,103)	(5,547)
CHANGE IN FINANCIAL ASSETS	1,389,207	2,736,061	2,223,318
NET FINANCIAL ASSETS, BEGINNING OF YEAR	19,597,268	19,597,268	17,373,950
NET FINANCIAL ASSETS, END OF YEAR	\$20,986,475	\$22,333,329	\$ 19,597,268

ESQUIMALT NATION

STATEMENT OF CASH FLOWS for the year ended March 31, 2022

	2022	2021
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual Surplus (deficit)	\$ 4,350,890	\$ 5,123,686
Items not involving cash		
Amortization of tangible capital assets	293,677	191,615
Nation Business Enterprises and Partnerships income	(45,710)	(481,986)
Change in non-cash operating accounts	(452,540)	(654,442)
	4,146,317	4,178,873
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,836,693)	(24,147)
Construction in progress	-	(2,580,303)
	(1,836,693)	(2,604,450)
INVESTING ACTIVITIES		
Funds advanced (to) from investment entities	-	-
FINANCING ACTIVITIES		
Repayment of long-term debt	(49,606)	(47,914)
Long-term debt forgiven	(50,000)	-
CMHC Funding for town homes	947,522	188,963
	847,916	141,049
INCREASE (DECREASE) IN CASH	3,157,540	1,715,472
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	18,701,558	16,986,086
CASH AND CASH EQUIVALENTS, END OF YEAR	\$21,859,098	\$ 18,701,558
CASH AND CASH EQUIVALENTS ARE REPRESENTED BY:		
Cash	\$18,276,836	\$ 14,914,210
Land Acquisition Trust fund	2,670,745	2,670,745
Cadboro Bay Minors Trust	875,393	947,000
Ottawa Trust funds	23,482	22,307
Construction Hold-back account	12,642	147,296
	\$ 21,859,098	\$ 18,701,558

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NOTES TO FINANCIAL STATEMENTS

March 31, 2022

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)
- Kosapsum Development Corporation

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
- Matullia Holdings General Partnership Corporation
- Skungeenes Holdings Limited Liability Partnership
- Xhamasung Holdings Limited Partnership
- Xhamasung Holdings General Partnership Corporation
- 1161742 B.C. Ltd.

The investment in Salish Sea Industrial Services Ltd. is reported at cost despite the Nation's ownership of 33 1/3% due to the Nation's inability to significantly influence the operations of the company.

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 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 First Nations Health Authority) are recorded as revenues when the related project is undertaken,

ESQUIMALT NATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES, *continued*

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 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 ISC and any surpluses must be returned to 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, 2022

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 ISC have been remediating these lands over the past several years. In these past years, 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, 2022

2. SIGNIFICANT ACCOUNTING POLICIES, *continued*

g) Newly adopted accounting standards, continued

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:

	2022	2021
Cash and GIC's	\$ 18,122,150	\$ 14,759,860
Replacement reserves	154,686	154,350
	<u>\$ 18,276,836</u>	<u>\$ 14,914,210</u>

4. RESTRICTED CASH

Restricted cash is comprised of three amounts. An amount of \$2,670,745 (2021 - \$2,670,745) 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 \$ 875,393 (2021 - \$ 947,000) 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).

Also, the Nation and one of its construction contractors jointly operate a bank account for payment of holdbacks to the contractor. This account has a balance of \$12,642 (2021 - \$147,296).

5. ACCOUNTS RECEIVABLE

Account receivable is comprised of the following:

	2022	2021
Operation fund		
Accounts receivable	\$ 2,131,069	\$ 2,366,575
Due from Members (see below)	324,349	209,204
	<u>\$ 2,455,418</u>	<u>\$ 2,575,779</u>
Amounts due from Members comprise the following:		
Rent	\$ 492,997	\$ 377,852
Less: allowance for doubtful accounts	(168,648)	(168,648)
	<u>\$ 324,349</u>	<u>\$ 209,204</u>

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022

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 \$ 991 (2021 - \$ 991).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
General trade payables	\$ 306,772	\$ 807,734
Accrued liabilities	44,321	25,860
	<u>\$ 351,093</u>	<u>\$ 833,594</u>

8. DEFERRED REVENUES

	2022	2021
Deferred revenues comprise the following:		
ISC	\$ 91,923	\$ 4,115
Province of British Columbia	-	9,553
Miscellaneous funding sources	-	142,549
	<u>\$ 91,923</u>	<u>\$ 156,220</u>

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022

9. LONG-TERM DEBT

	2022	2021
Social Housing Loans		
All Nations Trust Company mortgage repayable in monthly instalments of \$2,479 including interest at 1.14%, maturing March 1, 2026.	\$ 116,387	\$ 144,673
All Nations Trust Company mortgage repayable in monthly instalments of \$2,364 including interest at 2.35%, maturing August 1, 2033	285,298	306,618
CMHC - Project funding for town home project	1,136,485	188,963
	1,538,170	640,254
Investment in Skwin'ang'eth Se'las Development Company		
Loan payable to Greater Victoria Harbour Authority without interest and repayable on March 31, 2022 (Forgiven in the year)	-	50,000
	\$ 1,538,170	\$ 690,254

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 \$4,630,356.

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

2023	\$ 50,393
2024	\$ 51,273
2025	\$ 52,172
2026	\$ 53,083
2027	\$ 24,113

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 \$ 1,538,170 (2021 - \$ 640,254).

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022

11. TANGIBLE CAPITAL ASSETS

Tangible capital assets comprise the following:

	Cost	Accumulated Amortization	Net Book Value	
			2022	2021
Buildings				
CMHC	\$ 5,122,116	\$ 1,498,084	\$ 3,624,032	\$ 636,124
Other	2,204,815	1,407,956	796,859	1,088,170
Longhouse	1,625,886	517,109	1,108,777	1,167,134
Day Care Centre	1,318,066	32,952	1,285,114	-
Infrastructure				
Sewer systems	59,954	44,633	15,321	16,128
Water systems	22,262	16,660	5,602	5,897
Subdivision	443,045	313,306	129,739	136,568
Roads	100,000	82,033	17,967	18,913
Dock	165,000	49,774	115,226	121,290
Deck	46,800	6,675	40,125	42,237
Equipment	358,546	267,646	90,900	60,770
Movable equipment	55,719	48,161	7,558	10,797
Automotive	35,327	17,460	17,867	25,524
Land services	212,380	-	212,380	-
	\$11,7699,916	\$ 4,302,449	\$ 7,467,467	\$ 3,329,552

The Nation completed two construction projects during the year and converted Construction in Progress to the capital assets noted above. Those projects totalled \$2,580,303 as at March 31, 2021.

12. INVESTMENT IN NATION BUSINESS ENTERPRISES AND NATION BUSINESS PARTNERSHIPS

During 2012, the Nation, along with Songhees Nation and the Ralmax Group of Companies, formed the Salish Sea Industrial Services Ltd. business enterprise. This enterprise 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 enterprise each contributed \$350,000 to the company to assist with its start-up and marketing. These funds were returned to the Nation in prior years.

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 partnership, Matullia Holdings LP. The Nation paid the sum of \$1,438,753 for its share of the acquisition. This partnership holds the land for future development purposes and receives rental income from the CRD and other parties.

In the 2019 fiscal year, the Nation advanced additional funds of \$135,000 to Xhamasung Holdings LLP

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022

12. INVESTMENT IN NATION BUSINESS ENTERPRISES AND NATION BUSINESS PARTNERSHIPS, continued

(a partnership with Songhees Nation) to assist with the acquisition of certain lands in the partnership. This partnership operates a recreational vehicle park in Esquimalt, BC.

The Nation and Songhees Nation are also partners in Skungenees Holdings LLP, a partnership whose main activity was the ownership of rights to a certain foreshore lease in Esquimalt, BC. During the past year, the LLP determined that the foreshore lease was no longer useful to the LLP nor the partners.

The Nation business enterprises and partnerships interest are shown using the fiscal year ends of each entity which in the Nation's investments are March 31. Each investee entity is owned 50% by the Nation and the remaining 50% is owned by Songhees Nation.

The schedules below show the assets, liabilities, revenues and expenses of each investee entity firstly showing only the Nation's interest and secondly, showing the entire entity balances.

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022

12. INVESTMENT IN NATION BUSINESS ENTERPRISES AND NATION BUSINESS PARTNERSHIPS, *continued*

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

	Matullia Holdings LP	Skungeenes Holdings LLP	Xhamasung Holdings LP	Matullia Holdings GP Corporation	1161742 Services Ltd.	Xhamasung Holdings GP Corporation
	March 31, 2022	March 31, 2022	March 31, 2022	March 31, 2022	March 31, 2022	March 31, 2022
ASSETS						
Cash	\$ 670,222	\$ 595	\$ 360,064	\$ 1	\$ -	\$ -
Due from related parties	172,967	-	122	-	-	-
Other	282,345	-	30,278	-	1,307	1
Land and equipment	1,741,241	-	2,594,831	-	157,901	-
Total Assets	2,866,775	595	2,985,295	1	159,208	1
LIABILITIES						
Accounts payable and accruals	60,073	4023	142,335	173	750	-
Due to related parties	-	122	7,517	45,962	161,428	13,304
Mortgages and long-term debts	-	-	2,590,777	-	-	-
Total Liabilities	60,073	4,145	2,740,629	46,135	162,178	13,304
NET ASSETS	\$ 2,806,702	\$ (3,550)	\$ 244,666	\$ (46,134)	\$ (2,970)	(13,303)
Total Revenue	\$ 155,510	\$ -	\$ 519,657	\$ 5	\$ -	\$ 7
Total Expenses	106,167	453	447,678	19,223	1,072	4,875
Net surplus (expenditure)	\$ 49,343	\$ (453)	\$ 71,979	\$ (19,218)	\$ (1,072)	\$ (4,868)

The Nation is a 50% partner in Matullia Holdings LP, Skungeenes Holdings LLP, Xhamasung Holdings LP and 1161742 BC Ltd.

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022

12. INVESTMENT IN NATION BUSINESS ENTERPRISES AND NATION BUSINESS PARTNERSHIPS, *continued*

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

	Matullia Holdings LP	Skungeenes Holdings LLP	Xhamasung Holdings LP	Matullia Holdings GP Corporation	1161742 Services Ltd.	Xhamasung Holdings GP Corporation
	March 31, 2022	March 31, 2022	March 31, 2022	March 31, 2022	March 31, 2022	March 31, 2022
ASSETS						
Cash	\$ 1,340,443	\$ 1,189	\$ 720,128	\$ 2	\$ -	\$ -
Due from related parties	345,934	-	244	-	-	-
Other	564,688	-	60,555	-	2,613	2
Land and equipment	3,482,482	-	5,189,661	-	315,802	-
Total Assets	5,733,547	1,189	5,970,588	2	318,415	2
LIABILITIES						
Accounts payable and accruals	120,146	8,046	284,669	346	1,499	-
Due to related parties	-	244	15,033	91,923	322,855	26,608
Mortgages and long-term debts	-	-	5,181,551	-	-	-
Total Liabilities	120,146	8,290	5,481,253	92,269	324,354	26,608
NET ASSETS	\$ 5,613,401	\$ (7,101)	\$ 489,335	\$ (92,267)	\$ (5,939)	(26,606)
Total Revenue	\$ 311,020	\$ -	\$ 1,039,313	\$ 10	\$ -	\$ 13
Total Expenses	212,334	905	895,355	38,446	2,143	9,750
Net surplus (expenditure)	\$ 98,686	\$ (905)	\$ 143,958	\$ (38,436)	\$ (2,143)	\$ (9,737)

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022

13. ECONOMIC DEPENDENCE

The Nation receives a significant portion of its revenues pursuant to funding arrangements with 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, 2022, 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, 2022 - NIL (NIL as at March 31, 2021).

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 \$13,000 (2021 - \$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, 2022 the reserves are not adequately funded as the current year's funding was not transferred (2021 - adequately funded).

ESQUIMALT NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022

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 \$ 168,000 (2021 - \$258,500) was received from the James Bay Settlement Trust and a further \$1,718,037 is due from the Trust as at March 31, 2022 (March 31, 2021 - \$1,641,388). During the year, the Nation paid to the Trust the sum of NIL (2021 - NIL) 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 periods. 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, 2022

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. Coterminous with the above Settlement over \$90,000 of the arrears were collected in 2019. During 2022, those arrears have risen to \$492,997 (2021 - \$377,852).

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 budget data presented in these financial statements are based on the operating and capital budgets approved by the Council on March 18, 2021.

ESQUIMALT NATION

SCHEDULE OF SEGMENTED INFORMATION

For The Year Ended March 31, 2022

		Nation Administration	Nation Generated	Education	Social Assistance	Housing	Land Use & Public Works	Employment	Trust Activities	Economic Development	Other	Annual Totals	
												2022	2021
Revenues	Government of Canada	216,269	-	269,481	838,813	483,001	468,333	-	-	1,903,745	150,648	4,330,290	3,167,600
	Province of BC	-	-	11,470	-	128,625	-	-	-	80,000	385,731	605,826	1,070,105
	Nation Activities and Efforts	-	139,793	-	-	185,032	11,554	-	-	-	76,315	412,694	487,272
	Investments	84,295	-	-	-	336	-	-	7,359	45,710	1,175	138,875	600,026
	Trust Activities	-	-	-	-	-	-	-	1,886,037	-	-	1,886,037	1,899,888
	Other	19,031	-	320,958	913,747	-	-	324,509	-	450,925	183,013	2,212,183	3,586,692
		319,595	139,793	601,909	1,752,560	796,994	479,887	324,509	1,893,396	2,480,380	796,882	9,585,906	10,811,583
Expenses	Operations	85,532	15,010	19,981	69,798	97,321	185,621	9,830		320,710	46,136	849,938	311,936
	Program and services	41,222	208,863	126,016	397,423		5,971	29,600	79,097	51,690	199,561	1,139,442	2,734,880
	Salaries, wages and benefits	628,059		244,074	418,555		31,068	138,925		422,675	139,514	2,022,870	1,750,902
	Professional fees	56,854	34,000		656	140,653	33,035	3,000		467,657	102,410	838,266	561,323
	Equipment	10,837								7,280		18,117	40,617
	Insurance		7,771	2,106	1,040	31,323	1,436					43,675	69,030
	Security breach											-	-
	Amortization	135,058				149,744	8,875					293,677	191,615
	Interest					12,322						12,322	14,683
	Replacement reserves					16,709						16,709	13,000
		957,561	265,644	392,177	887,472	448,072	266,006	181,355	79,097	1,270,012	487,621	5,235,016	5,687,986
Annual Surplus (Deficit)		(637,966)	(125,851)	209,732	865,088	348,922	213,881	143,154	1,814,299	1,210,368	309,261	4,350,890	5,123,597