

SONGHEES NATION
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended MARCH 31, 2018

**Brynjolfson & Company
Chartered Professional Accountant**

SONGHEES NATION
INDEX TO FINANCIAL STATEMENTS
MARCH 31, 2018

CONTENT

| | <u>Page</u> |
|--|-------------|
| Management's Statement of Responsibility | 1 |
| Independent Auditor's Report | 2 |
| Consolidated Statement of Financial Position | 3 |
| Consolidated Statement of Operations | 4 |
| Consolidated Statement of Change in Financial Assets (Net Debt) | 5 |
| Consolidated Statement of Cash Flow | 6 |
| Notes to Financial Statements | 7 |
| Reconciliation of INAC Revenue from Financial Statements to Funding Confirmation | 19 |

SONGHEES NATION
1100 Admirals Road
Victoria, B.C.
V9A 2P6

Management's Statement of Responsibility

The accompanying consolidated financial statements of Songhees Nation are the responsibility of management and have been approved by Chief and Council.

The consolidated 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 of Canada and as such include amounts that are the best estimates and judgments 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.

Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

Chief and Council meet periodically with management, as well as the external auditor, 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 financial statements and the external auditor's report.

The external auditors, Brynjolfson & Company, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Songhees Nations and meet when required.

On behalf of Songhees Nation:



Executive Director

DATE 9/28/18



Brynjolfson & Co. Chartered Professional Accountant

797 Kona Crescent
Victoria, B.C. V8X 4N9
(Tel: 250-727-7169)
(E-mail: pbrynjolfson@aol.com)

INDEPENDENT AUDITOR'S REPORT

To the Members of
Songhees Nation:

I have audited the accompanying consolidated financial statements of the Songhees Nation, which comprises the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of operations, consolidated statement of change in financial assets (net debt), and consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all materials respects, the financial position of Songhees Nation as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Brynjolfson & Co.

Chartered Professional Accountant

September 27, 2018
Victoria, BC

SONGHEES NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
March 31, 2018

| | 2018 Actual \$ | 2017 Actual \$ |
|---|----------------------|----------------------|
| Financial assets | | |
| Cash | 3,562,064 | 3,407,210 |
| Cash – Restricted, Note 8 | 296,924 | 290,422 |
| Accounts receivable, Note 12 | 24,314,668 | 1,506,670 |
| Related parties receivable, Note 17 | 2,990,392 | 275,716 |
| Investments, Note 14 | 2,974,262 | 2,266,084 |
| Trust funds, Note 5 (a) | <u>13,872</u> | <u>15,200</u> |
| | <u>34,152,182</u> | <u>7,761,302</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities, Note 13 | 9,506,416 | 2,029,496 |
| Deferred revenue | - | 110,612 |
| Reserves | 1,354,453 | 1,334,224 |
| Debt, Note 6 | <u>21,623,895</u> | <u>18,462,527</u> |
| | <u>32,484,764</u> | <u>21,936,859</u> |
| Net financial assets (net debt) | 1,667,418 | (14,175,557) |
| Non-financial assets | | |
| Tangible capital assets - Note 4 | 30,561,154 | 31,130,992 |
| Inventory | 59,001 | 46,192 |
| Prepaid expenses | <u>527,149</u> | <u>192,904</u> |
| | <u>31,147,304</u> | <u>31,370,088</u> |
| Accumulated surplus, Note 9 | 32,814,722 | 17,194,531 |

Approved by:

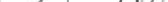
Approved by: Chief Ron Jam Chief

Jackie Allyan Councillor

 Councillor

Senior Finance Officer

Gary Miller Councillor

 Councillor

Chair, Finance
& Audit Committee

The accompanying notes and supplementary schedules are an integral part of these consolidated financial statements.

SONGHEES NATION
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended March 31, 2018

| | Budget | 2018 | 2017 |
|---|---------------------|---------------------|------------------|
| REVENUES | | | |
| Indigenous and Northern Affairs Canada | \$ 3,047,683 | \$ 3,047,683 | \$2,819,141 |
| FNHA | 339,172 | 339,172 | 327,146 |
| Canada Mortgage and Housing Corporation Subsidy | 41,186 | 41,627 | 63,687 |
| CSETS | 138,717 | 138,717 | 110,681 |
| Local revenue account (property taxation) | 1,309,824 | 1,211,228 | 1,275,535 |
| FNGST | 1,200,000 | 1,330,240 | 1,403,425 |
| Settlement funds, Note 11 | - | 24,500,000 | - |
| Other/recoveries | <u>2,827,596</u> | <u>3,900,446</u> | <u>3,779,090</u> |
| | <u>8,904,178</u> | <u>34,509,113</u> | <u>9,778,705</u> |
| EXPENSES | | | |
| Governance and Administration | 532,443 | 973,215 | 956,889 |
| Lands Management | 330,599 | 302,631 | 379,746 |
| Infrastructure and Public Works | 710,540 | 963,120 | 263,074 |
| Education | 1,974,549 | 2,357,178 | 1,971,966 |
| Health | 429,706 | 591,070 | 475,622 |
| Band Generated | 2,921,531 | 12,269,965 | 2,952,463 |
| JBVT & Lekwungen Harvesters | - | - | (53,277) |
| Social Development | 334,180 | 233,122 | 214,051 |
| Treaty | - | - | (8,180) |
| Property Taxation and By-Laws | 1,309,824 | 1,289,560 | 1,371,972 |
| Social Housing Program | 189,536 | 72,037 | 150,125 |
| Ottawa Trust Fund | - | - | - |
| | <u>8,732,908</u> | <u>19,051,898</u> | <u>8,674,451</u> |
| ANNUAL SURPLUS BEFORE OTHER OTHER | <u>171,270</u> | 15,457,215 | 1,104,254 |
| Transfer contributed surplus | 38,173 | (375,403) | |
| Transfers Trusts/ Reserves | <u>124,803</u> | <u>235,107</u> | |
| ANNUAL SURPLUS | 15,620,191 | 963,958 | |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | <u>17,194,531</u> | <u>16,230,573</u> | |
| ACCUMULATED SURPLUS, ENDING | <u>\$32,814,722</u> | <u>\$17,194,531</u> | |

The accompanying notes and supplementary schedules are an integral part of these consolidated financial statements.

SONGHEES NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT)
For the year ended March 31, 2018

| | 2018 Actual \$ | 2017 Actual \$ |
|---|---|---|
| Annual surplus (deficit) - operations | 15,457,215 | 1,104,254 |
| - other (contributed surplus/trusts/reserves) | 162,976 | (140,296) |
| Acquisition of tangible capital assets | (461,717) | (2,000) |
| Amortization of tangible capital assets charged against | | |
| Capital Fund and Social Housing Fund | 423,544 | 439,777 |
| Amortization of tangible capital assets charged against | | |
| Operations Fund | <u>608,011</u> | <u>482,301</u> |
| | <u>16,190,029</u> | <u>1,884,036</u> |
| Acquisition of prepaid expenses | (527,149) | (192,904) |
| Use of prepaid expense | 192,904 | 99,984 |
| Acquisition of inventory | (59,001) | (46,192) |
| Use of inventory | <u>46,192</u> | <u>37,705</u> |
| Change in Net Financial Assets/Net Debt | 15,842,975 | 1,782,629 |
| Net Debt, beginning of year | <u>(14,175,557)</u> | <u>(15,958,186)</u> |
| Net Financial Assets (Net Debt), end of year | <u>1,667,418</u> | <u>(14,175,557)</u> |

Note: 2018 budget figures are not available.

The accompanying notes and supplementary schedules are an integral part of these consolidated financial statements.

SONGHEES NATION
CONSOLIDATED STATEMENT OF CASH FLOW
For the Year Ended March 31, 2018

| | <u>2018</u> | <u>2017</u> |
|--|--------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Annual surplus (deficit) | \$ 15,457,215 | \$ 1,104,254 |
| Items not requiring a current outlay of cash: | | |
| - Amortization | 1,031,555 | 922,078 |
| Change in non-cash items: | | |
| - (Increase) decrease in restricted cash | (6,502) | (89,488) |
| - (Increase) decrease in trust funds | 1,328 | (1,330) |
| - (Increase) decrease in accounts receivable | (25,522,674) | (863) |
| - (Increase) decrease in prepaid expenses | (334,245) | (92,920) |
| - (Increase) decrease in inventory | (12,809) | (8,487) |
| - Increase (decrease) in accounts payable | 7,476,920 | (887,158) |
| - Increase (decrease) in reserves | 20,229 | 28,918 |
| - Increase (decrease) in deferred revenue | (110,612) | 110,612 |
| | <u>(1,999,595)</u> | <u>1,085,616</u> |
| CAPITAL ACTIVITIES | | |
| Acquisition of tangible capital assets | <u>(461,717)</u> | <u>(2,000)</u> |
| FINANCING ACTIVITIES | | |
| Increase (decrease) in contributed surplus | 38,172 | (375,403) |
| Increase (repayment) of long-term debt | <u>3,161,368</u> | <u>(525,479)</u> |
| | <u>3,199,540</u> | <u>(900,882)</u> |
| INVESTING ACTIVITIES | | |
| Increase (decrease) in local revenue funds | 124,804 | 235,106 |
| (A) Increase (decrease) of investments | <u>(708,178)</u> | <u>(19,267)</u> |
| | <u>(583,374)</u> | <u>215,839</u> |
| INCREASE (DECREASE) IN CASH DURING YEAR | | |
| | 154,854 | 398,573 |
| CASH – Beginning of year | | |
| | <u>3,407,210</u> | <u>3,008,637</u> |
| CASH – End of year | | |
| | <u>\$3,562,064</u> | <u>\$ 3,407,210</u> |

The accompanying notes and supplementary schedules are an integral part of these consolidated financial state

SONGHEES NATION

NOTES TO THE FINANCIAL STATEMENTS **March 31, 2018**

1. NATURE OF OPERATIONS

Songhees Nation is a First Nation Government, recognized as an Indian Band under the *Indian Act*. The Nation provides programs and services for the benefit of the Songhees People and protects the Nation's financial, land and resource assets as well as exerting Aboriginal and treaty rights and pursuing economic development.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards for government entities as recommended by the Public Sector Accounting Board of CPA Canada.

a) Reporting Entity

The First Nation reporting entity includes the Songhees Nation government and all related entities that are either owned or controlled by the First Nation. Control is defined as the power to govern the financial and operating policies of another organization, with the accompanying benefits or the risk of loss to the government from the other organization's activities. Control exists whether or not it is exercised by the government which holds it.

b) Principles of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of entities which are controlled by the First Nation. Controlled entities are consolidated, except for government business enterprises (GBE) and government business partnerships (GBP), which are accounted for by the modified equity method. All inter-fund and inter-organization transactions and balances have been eliminated on consolidation.

First Nation records its investments in GBE and GBP on the modified equity basis. Under the modified equity basis, the GBE and GBP accounting policies are not adjusted to conform with those of the First Nation and inter-entity transactions and balances are not eliminated. The First Nation recognizes its equity interest in the annual earnings or loss of the GBE and GBP in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends or other cash distributions that the First Nation may receive from the GBE and GBP will be reflected as deductions in the investment asset account.

SONGHEES NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2018

c) Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, prepaid expenses and inventories of supplies.

d) Cash and Cash Equivalents

Cash includes cash on hand and balances with banks net of bank overdraft.

e) Inventory

Inventories are measured at the lower of cost and net realizable value, with cost being determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

f) Debt

Loan proceeds related to the financing of tangible capital assets are recorded as revenue in the appropriate fund. The loan amount is also recorded as a liability on the Statement of Financial Position and as a reduction in the Tangible Capital Asset Fund. Debt payments, including principal and interest, are charged to the fund to which they relate. Principal reductions are reflected as a reduction in the liability with an offsetting increase in the Tangible Capital Asset Fund.

g) Tangible Capital Assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an on-going basis for producing goods or delivering services.

Tangible capital assets are reported at net book value. When conditions indicate that a tangible capital asset no longer contributes to the ability to provide goods or services, the carrying value of the asset is reduced to reflect the decline in value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artefacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service; interest on debt during construction is capitalized.

SONGHEES NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2018

Contributed tangible capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

h) Amortization

Tangible capital assets are amortized over their expected useful life using the straight-line balance method at the following rates:

| | |
|----------------------------|-------|
| General Housing | 5% |
| Buildings and improvements | 4%/5% |
| General equipment | 20% |
| Infrastructure | 4% |
| Docks | 5% |
| Boats | 15% |
| Automotive | 30% |

In the year of acquisition, 50% of the normal amortization is recorded. Assets acquired through funding contributions are amortized against contributed surplus.

Social Housing assets acquired under CMHC sponsored housing programs are amortized at a rate equivalent to annual principal reduction in related long term debt, as required for CMHC reporting purposes, which is approximately 5%.

i) Net Financial Assets / Net Debt

The First Nation's financial statements are presented so as to highlight net financial assets or net debt as the measurement of financial position. The net financial assets or net debt of the First Nation is determined by its financial assets less its liabilities.

j) Revenue Recognition

Government Funding:

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as such. In these circumstances, the Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

First Nation Capital and Revenue Trust Fund

The Nation recognizes revenues of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

SONGHEES NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2018

Housing Rental Income:

Rental revenue is recorded in the year it is earned. At the end of each year management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

Own Source Revenue:

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

k) Measurement Uncertainty

In preparing financial statements for the government of Songhees Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Significant areas of estimation include allowance for doubtful accounts, estimated useful lives of tangible capital assets, impairment of long-lived assets, accrued liabilities, and disclosure of contingencies. Actual results could differ from those estimates.

l) Financial Instruments

Songhees Nation's financial instruments consist of cash and cash equivalents, accounts receivable, long-term debt, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that Songhees Nation is not exposed to significant interest rate or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

SONGHEES NATION

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2018

3. ECONOMIC DEPENDENCE

The government of Songhees Nation receives a major portion of its revenue from INAC. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

4. TANGIBLE CAPITAL ASSETS

| | COST | | | ACCUMULATED AMORTIZATION | | | | |
|------------------------|---------------------------------|----------------|-----------|---------------------------|---------------------------------|------------------|---------------------------|--------------------|
| | Balance beginning of year | Additions | Disposals | Balance end of year | Balance beginning of year | Amortization | Balance end of year | 2018 book value |
| OPERATING | | | | | | | | |
| Float | 58,638 | - | - | 58,638 | 51,301 | 2,932 | 54,233 | 4,405 |
| Oceangoing canoes | 26,405 | 24,352 | - | 50,757 | 26,405 | 10,151 | 36,556 | 14,201 |
| Trailer - triple-wide | 102,229 | - | - | 102,229 | 96,441 | 5,112 | 101,553 | 676 |
| Trailer - youth centre | 56,000 | - | - | 56,000 | 32,200 | 2,800 | 35,000 | 21,000 |
| Band owned housing | 316,299 | - | - | 316,299 | 86,968 | 15,815 | 102,783 | 213,516 |
| Pre-school addition | 381,312 | - | - | 381,312 | 200,191 | 19,065 | 219,256 | 162,056 |
| Van | 19,293 | - | - | 19,293 | 19,293 | - | 19,293 | - |
| Office equipment | 115,082 | 83,057 | - | 198,139 | 115,082 | 39,628 | 154,710 | 43,429 |
| Leasehold improvements | - | 155,468 | - | 155,468 | - | 37,767 | 37,767 | 117,701 |
| Properties | 3,245,422 | - | - | 3,245,422 | - | - | - | 3,245,422 |
| | <u>4,320,680</u> | <u>262,877</u> | <u>-</u> | <u>4,583,557</u> | <u>627,881</u> | <u>133,270</u> | <u>761,151</u> | <u>3,822,406</u> |
| LOCAL REVENUE | | | | | | | | |
| Infrastructure | 583,766 | - | - | 583,766 | 280,206 | 23,351 | 303,557 | 280,209 |
| Building | 94,290 | - | - | 94,290 | 59,108 | 4,715 | 63,823 | 30,467 |
| Playground | 97,600 | - | - | 97,600 | 59,780 | 4,880 | 64,660 | 32,940 |
| Tractor/backhoe | 69,000 | - | - | 69,000 | 69,000 | - | 69,000 | - |
| Trailer | 182,572 | - | - | 182,572 | 137,051 | 9,129 | 146,180 | 36,392 |
| Truck | 30,424 | - | - | 30,424 | 30,424 | - | 30,424 | - |
| General equipment | 39,535 | - | - | 39,535 | 39,535 | - | 39,535 | - |
| Boat | 9,000 | - | - | 9,000 | 7,650 | 1,350 | 9,000 | - |
| | <u>1,106,187</u> | <u>-</u> | <u>-</u> | <u>1,106,187</u> | <u>682,754</u> | <u>43,425</u> | <u>726,179</u> | <u>380,008</u> |
| CMHC HOUSING | 1,456,690 | - | - | 1,456,690 | 632,450 | 62,889 | 695,339 | 761,351 |
| WELLNESS CENTRE | | | | | | | | |
| Building | 27,064,889 | - | - | 27,064,889 | 1,623,894 | 541,297 | 2,165,191 | 24,899,698 |
| Equipment and fixtures | 1,054,528 | 198,841 | - | 1,253,369 | 632,717 | 250,674 | 883,391 | 369,978 |
| Artwork | 120,275 | - | - | 120,275 | - | - | - | 120,275 |
| Carvings | 207,439 | - | - | 207,439 | - | - | - | 207,439 |
| | <u>28,447,131</u> | <u>198,841</u> | <u>-</u> | <u>28,645,972</u> | <u>2,256,611</u> | <u>791,971</u> | <u>3,048,582</u> | <u>25,597,390</u> |
| TOTALS | 35,330,688 | 461,718 | - | 35,792,406 | 4,199,696 | 1,031,555 | 5,231,251 | 30,561,155 |

SONGHEES NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2018

5. TRUST FUNDS

a) Ottawa Trust Fund and Highway Burning Trust Fund

The Ottawa Trust Accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Section 63 to 69 of the Indian Act.

| | <u>Opening Balance</u> | <u>Additions</u> | <u>Withdrawals</u> | <u>2018</u> | <u>2017</u> |
|------------|----------------------------|------------------|--------------------|---------------|---------------|
| Revenue | 1,333 | 1,329 | 2,657 | 5 | 1,333 |
| Capital | <u>219</u> | <u>—</u> | <u>—</u> | <u>219</u> | <u>219</u> |
| Fund Total | <u>1,552</u> | <u>1,329</u> | <u>2,657</u> | <u>224</u> | <u>1,552</u> |
| | | | | <u>13,648</u> | <u>13,648</u> |
| Total | | | | <u>13,872</u> | <u>15,200</u> |

b) James Bay Village Trust Fund consist of funds received for the James Bay Settlement, being held in trust; the Nation has appointed an independent Trust Corporation to act as a third Trustee as well as to administer the Trust and maintain the records. This trust fund has not been included in the consolidated financial statements and has not been included as part of the operations of the Nation. The trust fund balance as at March 31, 2018 is \$9,416,813 (2017 – balance \$9,802,587).

6. DEBT

| | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| Fixed rate business mortgage, from Van City Credit Union, \$13,500,000, repayable monthly \$69,910 blended at 3.85%, secured by own source revenue (currently FN GST) | 12,069,073 | 12,439,237 |

SONGHEES NATION

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018

| | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|
| Promissory Note payable to First Nations Finance Authority, repayable yearly at \$93,857 principal, plus interest at 3.79%, payments commencing June 26, 2015, amortized over 30 years; the promissory note has a term of ten (10) years, expiring June 26, 2024. | 4,891,831 | 4,996,393 |
| Interim financing payable to First Nations Finance Authority, interest only at 3.35% | 3,753,000 | - |
| Loan payable, All Nations Trust, on the housing unit located at #5 Maple Bank Songhees Nation, secured by ministerial guarantee from INAC, repayable @ \$983 per month, interest at 5.25 % | 148,640 | 152,656 |
| Canada Mortgage and Housing Corporation Mortgages, secured by ministerial guarantees from INAC and first mortgages on twenty-four housing units. | | |
| - Loan #153-52495002, repayable @ \$1,379 per month, including interest at 1.62%, matures Feb. 1, 2020 | 31,280 | 47,200 |
| - Loan #193-62409001, repayable @ \$1,534 per month, including interest at 1.82%, matures Aug. 1, 2029 | 189,953 | 204,796 |
| - Loan #193-62409002 repayable @ \$3,420 per month, including interest at 1.53%, matures Nov. 1, 2032 | 540,118 | 572,245 |
| Loan payable, Greater Victoria Harbor Authority, non-interest bearing – current portion | _____- | <u>50,000</u> |
| | <u>\$ 21,623,895</u> | <u>\$ 18,462,527</u> |

Principal repayments required over the next five years:

| | |
|------------------|------------------|
| 2019 - \$499,691 | 2022 - \$483,125 |
| 2020 - \$464,593 | 2023 - \$501,107 |
| 2021 - \$466,046 | |

SONGHEES NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2018

7. SOCIAL HOUSING RESERVES

a) Replacement Reserve

Under the terms of the agreement with CMHC, a replacement reserve is maintained to provide for future asset replacement. These funds, along with accumulated interest, must be held in a separate bank account. Use of these funds is restricted to expenditures approved by CMHC.

b) Subsidy Surplus Reserve

Under the terms of the agreement with CMHC, express federal assistance payments received may be retained in a subsidy surplus reserve up to a maximum of \$500 per unit. These funds, along with accumulated interest, must be held in a separate bank account. The funds in this account may only be used to meet future subsidy requirements.

c) Operating Reserve

Under the terms of the agreement with CMHC (Section 95, Post 1997 on Reserve Program), any surplus revenue will be retained within an Operating Reserve. These funds, along with accumulated interest, must be held in a separate bank account. Use of these funds is restricted to ongoing operating costs of housing projects committed under the Post 1997 On Reserve Program.

8. RESTRICTED CASH

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| Comprised of the following CMHC reserve funds | <u>\$296,924</u> | <u>\$290,422</u> |

9. ACCUMULATED SURPLUS

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------|-------------------|-------------------|
| Represented by: | | |
| Operations | 17,199,728 | 1,742,512 |
| Trust Funds | 13,648 | 13,648 |
| Local Revenue (Property Taxation) | 2,951,358 | 2,826,555 |
| Tangible Capital Asset Fund | <u>12,649,988</u> | <u>12,611,816</u> |
| | <u>32,814,722</u> | <u>17,194,531</u> |

SONGHEES NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2018

10. CONTINGENT LIABILITIES

- a) Restricted (set) unexpended surpluses can be recovered by the funding agency.
- b) The Nation has Ministerial Guarantees for loan balances outstanding. The contingent liability as at year-end amounts to \$1,005,957 as per confirmation provided by Indigenous and Northern Affairs Canada.

11. SETTLEMENT FUNDS

- a) The Nation successfully completed a law suit against the government of Canada claiming damages for breach of treaty rights. The action resulted in a substantial judgment in favor of the Nation in the amount of \$24,500,000.

12. ACCOUNTS RECEIVABLE

| | <u>2018</u> | <u>2017</u> |
|------------------------------------|----------------------|--------------------|
| Due from settlement (net) | 22,914,549 | - |
| Property taxation | 272,009 | 399,194 |
| Housing | 326,800 | 320,071 |
| Salish Sea Industrial Services Ltd | - | 350,000 |
| Other | <u>801,310</u> | <u>437,405</u> |
| | <u>\$ 24,314,668</u> | <u>\$1,506,670</u> |

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | <u>2018</u> | <u>2017</u> |
|---------------------------------|---------------------|--------------------|
| Trade | 308,228 | 158,329 |
| INAC – funding recoveries | 222,489 | - |
| Settlement – membership & trust | 5,817,147 | - |
| Lands rent trust account | 523,315 | 601,492 |
| JBVT | 1,104,791 | 1,110,671 |
| Other | <u>1,530,446</u> | <u>159,004</u> |
| | <u>\$ 9,506,416</u> | <u>\$2,029,496</u> |

SONGHEES NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2018

14. INVESTMENT IN FIRST NATION CONTROLLED ENTITIES

| | <u>2018</u> | <u>2017</u> |
|---|----------------|----------------|
| Lekwungen Development Corp. (unaudited): | | |
| - advances | 105,551 | 99,728 |
| - membership equity | <u>36,377</u> | <u>37,985</u> |
| Total | <u>141,928</u> | <u>137,713</u> |

Unaudited financial information for the year ended March 31, 2018 is as follows:

| | <u>Assets</u> | <u>Liabilities</u> | <u>Revenues</u> | <u>Expenses</u> | <u>Net profit (Loss)</u> |
|---------------------------|------------------|--------------------|-------------------|-----------------|------------------------------|
| Year ended March 31, 2018 | <u>\$202,150</u> | <u>\$113,368</u> | <u>\$ _____ -</u> | <u>\$1,608</u> | <u>\$(1,608)</u> |

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| Songhees Nation Investment Corp. | | |
| - advances | 2,884,841 | 175,887 |
| - share capital | 1 | 1 |
| - equity (net assets) | <u>2,932,995</u> | <u>3,018,141</u> |
| Total | <u>5,817,837</u> | <u>3,194,029</u> |

Financial information for the fiscal year ended March 31, 2018 prepared from financial statements is as follows:

| | <u>Assets</u> | <u>Liabilities</u> | <u>Revenues</u> | <u>Expenses</u> | <u>Net Profit (Loss)</u> |
|---------------------------|--------------------|--------------------|------------------|------------------|------------------------------|
| Year ended March 31, 2018 | <u>\$5,946,362</u> | <u>\$3,013,367</u> | <u>\$156,590</u> | <u>\$241,735</u> | <u>\$(85,145)</u> |

Songhees Tours Inc.

The company was incorporated on July, 2017 and commenced operations April 1, 2018.

Songhees Seafood and Steam Ltd.

The company was incorporated on August 31, 2015 and commenced operations April 1, 2018.

SONGHEES NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2018

15. SUBSEQUENT EVENT

Songhees Nation was awarded \$4,908,750 pursuant to a Benefits Agreement regarding disposition of property in Victoria, B.C.

16. EXPENSES BY OBJECT

| | <u>Budget</u> | <u>2018</u> |
|------------------------------|---------------------|---------------------|
| Wages and benefits | \$ 2,271,040 | \$ 1,981,821 |
| Administration and overhead | 159,431 | 408,269 |
| Contract services | 907,659 | 736,742 |
| Debt servicing | 794,781 | 714,813 |
| Education & training | 1,297,750 | 1,620,951 |
| Grants and income assistance | 427,273 | 6,235,539 |
| Materials and equipment | 1,274,539 | 733,980 |
| Other | 1,427,435 | 2,929,115 |
| Professional fees | <u>173,000</u> | <u>3,690,668</u> |
| | <u>\$ 8,732,908</u> | <u>\$19,051,898</u> |

17. RELATED PARTIES RECEIVABLE

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| Songhees Nation Investment Corporation | 2,884,841 | 176,988 |
| Lekwungen Development Corporation | <u>105,551</u> | <u>98,728</u> |
| | <u>2,990,392</u> | <u>\$275,716</u> |

Advances due from related parties are without interest and have no fixed terms of repayment.

18. SEGMENTED DISCLOSURE

FOR THE YEAR ENDED MARCH 31, 2018

Songhees First Nation
Schedule of Segmented Operations
For the year ended March 31, 2018

| | Admin. | Lands | Public Works | Education | Health | Band Funds | Social Dev. | Local Revenue (Taxation) | CMHC | Ottawa Trust Fund | TOTAL | TOTAL | |
|------------------------------|----------|----------|--------------|-----------|----------|------------|-------------|--------------------------|----------|-------------------|------------|-----------|---------|
| Revenue | | | | | | | | | | | | | |
| INAC | 364,075 | 204,536 | 239,801 | 1,627,131 | 39,591 | 225,717 | 346,832 | - | - | - | 3,047,683 | 2,819,141 | |
| FNHA | - | - | - | - | 332,143 | - | - | 7,029 | - | - | 339,172 | 327,146 | |
| CMHC | - | - | - | - | - | - | - | - | - | - | 41,627 | 63,687 | |
| CSETS | - | - | - | 138,717 | - | - | - | - | - | - | 138,717 | 110,681 | |
| Local Revenue (Taxation) | - | - | - | - | - | - | - | 1,211,228 | - | - | - | 1,211,228 | |
| FNGST | - | - | - | - | - | 1,330,240 | - | - | - | - | - | 1,330,240 | |
| Other | 609,140 | 121,474 | 230,861 | 519,741 | 199,146 | 2,288,507 | 18 | 50,760 | 103,288 | - | 4,122,935 | 3,816,912 | |
| Settlement funds | - | - | - | - | - | 24,500,000 | - | - | - | - | 24,500,000 | - | |
| Recoveries | - | - | - | (1,188) | (97) | - | (220,304) | - | - | - | (222,489) | (37,822) | |
| | 973,215 | 326,010 | 470,662 | 2,284,401 | 569,883 | 28,344,464 | 126,546 | 1,269,017 | 144,915 | - | 34,509,113 | 9,778,705 | |
| Expenditure | | | | | | | | | | | | | |
| Salaries and benefits | 426,846 | 161,711 | 130,102 | 476,302 | 269,556 | 473,746 | 43,558 | - | - | - | 1,981,821 | 1,648,769 | |
| Amortization | 8,413 | - | 498,942 | - | - | 37,767 | - | - | 62,889 | - | 608,011 | 544,675 | |
| Direct assistance and grants | - | - | - | - | - | 3,812,416 | 185,309 | - | - | - | 3,997,725 | 161,780 | |
| Debt servicing | 20,355 | 46,000 | 668,262 | - | - | 12,678 | - | - | 13,472 | - | 714,813 | 700,849 | |
| Professional fees | 143,752 | 145,597 | 104,208 | - | 3,570 | 3,250,461 | - | - | 3,080 | - | 3,680,668 | 950,134 | |
| Local revenue taxation | - | - | - | - | - | - | - | 1,012,470 | - | - | 1,012,470 | 1,049,224 | |
| Reserve fund allocation | 13,975 | 400,000 | 822,00 | 1,503,553 | 90,352 | 10,357 | 1,542 | - | 112,700 | 20,976 | - | 133,676 | 254,727 |
| Tuition and training | 422,138 | 28,516 | 725,449 | 392,340 | 212,572 | 3,313,916 | 2,713 | - | - | - | 1,620,951 | 1,039,022 | |
| Other | (62,214) | (33,639) | (1,154,665) | (15,017) | 15,020 | 1,155,648 | - | 164,390 | (59,523) | - | 5,128,787 | 2,465,567 | |
| | 973,215 | 302,631 | 963,120 | 2,357,178 | 591,070 | 12,106,989 | 233,122 | 1,289,560 | 72,037 | - | 18,888,922 | 8,814,747 | |
| Annual surplus (deficit) | - | 23,379 | (492,458) | (72,777) | (21,187) | 16,237,475 | (106,576) | (20,543) | 72,878 | - | 15,620,191 | 963,958 | |

**SONGHEES FIRST NATION
RECONCILIATION OF INAC REVENUE FROM
FINANCIAL STATEMENTS TO FUNDING CONFIRMATION
FOR THE YEAR ENDED MARCH 31, 2018**

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| INAC Revenue Reconciliation | | |
| INAC Revenue per Consolidated Statement of Operations, page 4 | 3,047,683 | 2,856,963 |
| Less: INAC funding adjustments | <u>—</u> | <u>(37,822)</u> |
| Balance per Consolidated Statement of Operations, page 4 | 3,047,683 | 2,819,141 |
| Add: Due from INAC | <u>—</u> | <u>191</u> |
| Net Budget per INAC Funding Confirmation | <u>3,047,683</u> | <u>2,819,332</u> |