

**Songhees Nation**  
**Consolidated Financial Statements**  
*March 31, 2020*

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## **Management's Responsibility**

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To the Members of Songhees Nation:

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

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Songhees Nation Chief and Council are responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Chief and Council fulfil these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Chief and Council are also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP is appointed by the Members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically, both the Council and management to discuss their audit findings.

July 22, 2020



Executive Director

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# Independent Auditor's Report

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To the Members of Songhees Nation:

## Opinion

We have audited the consolidated financial statements of Songhees Nation (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, changes in net financial assets, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Nation as at March 31, 2020, and the results of its consolidated operations, its consolidated remeasurement gains and losses and its consolidated 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 Consolidated 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 consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 overseeing the Nation's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 for 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 consolidated 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 our 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Nanaimo, British Columbia

July 22, 2020

*MNP LLP*

Chartered Professional Accountants

**Songhees Nation**  
**Consolidated Statement of Financial Position**  
*As at March 31, 2020*

	2020	2019
<b>Financial assets</b>		
Cash and cash equivalents	6,888,902	22,347,280
Restricted cash (Note 3)	1,523,752	1,376,030
Term deposits (Note 4)	2,500,000	5,500,000
Accounts receivable (Note 5)	1,402,578	727,880
Investments (Note 6)	21,320,649	12,899,183
Funds held in trust (Note 8)	1,532	1,542
Investment in Nation business enterprises and partnerships (Note 10)	2,467,042	2,322,795
<b>Total financial assets</b>	<b>36,104,455</b>	<b>45,174,710</b>
<b>Liabilities</b>		
Accounts payable and accruals (Note 11)	3,240,556	1,267,117
Due to related parties	-	2,010,513
Long-term debt (Note 12)	22,552,068	23,285,773
<b>Total liabilities</b>	<b>25,792,624</b>	<b>26,563,403</b>
<b>Net financial assets</b>	<b>10,311,831</b>	<b>18,611,307</b>
<b>Contingencies (Note 16)</b>		
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	43,555,929	36,660,698
Inventory	33,510	37,282
Prepaid expenses	162,884	276,432
<b>Total non-financial assets</b>	<b>43,752,323</b>	<b>36,974,412</b>
<b>Accumulated surplus (Note 13)</b>	<b>54,064,154</b>	<b>55,585,719</b>
<b>Accumulated surplus is comprised of:</b>		
Accumulated operating surplus	55,486,567	53,943,132
Accumulated remeasurement gains (losses)	(1,422,413)	1,642,587
	<b>54,064,154</b>	<b>55,585,719</b>

Approved by Chief and Council

	Chief		Councillor
	Councillor		Councillor
	Councillor		Councillor

The accompanying notes are an integral part of these financial statements

# Songhees Nation

## Consolidated Statement of Operations and Accumulated Surplus

*For the year ended March 31, 2020*

	<i>Schedules</i>	<i>2020 Budget (Note 9)</i>	<i>2020</i>	<i>2019</i>
<b>Revenue</b>				
Indigenous Services Canada (Note 14)		3,341,551	3,359,704	3,123,640
Property Taxation		1,109,824	861,139	1,037,623
First Nations Health Authority		416,984	714,670	449,884
Province of BC		324,448	282,643	477,365
Canada Mortgage and Housing Corporation		41,186	41,691	42,561
FNGST		1,600,000	1,731,872	1,635,448
Lease income		826,299	916,741	1,427,389
Catering revenue		-	685,193	740,295
Other income		398,787	648,637	508,057
Rental income		114,499	614,237	398,836
Investment income		-	594,297	596,923
Interest income		-	580,620	478,072
Gaming revenue		-	374,505	-
Earnings from investment in Nation business enterprises and partnerships		-	274,238	282,374
Other government funding		308,995	268,133	398,489
Benefit Agreement		60,000	10,944	6,806,610
		<b>8,542,573</b>	<b>11,959,264</b>	<b>18,403,566</b>
<b>Expenses</b>				
Administration and Governance	3	1,465,784	1,771,779	1,441,717
Local Services	4	2,915,832	2,928,150	2,812,702
Education Services	5	2,630,949	2,415,289	2,500,518
Health and Social Services	6	1,002,952	984,093	904,508
Community Services	7	349,655	2,124,921	2,546,638
Social Housing	8	142,250	173,813	138,033
		<b>8,507,422</b>	<b>10,398,045</b>	<b>10,344,116</b>
<b>Surplus before other items</b>		<b>35,151</b>	<b>1,561,219</b>	<b>8,059,450</b>
<b>Other income (expense)</b>				
Loss on disposal of tangible capital assets		-	-	(113,843)
Distribution to minors		-	(17,784)	-
		-	(17,784)	(113,843)
<b>Annual surplus</b>		<b>35,151</b>	<b>1,543,435</b>	<b>7,945,607</b>
<b>Accumulated operating surplus, beginning of year</b>		<b>53,943,132</b>	<b>53,943,132</b>	<b>45,997,525</b>
<b>Accumulated operating surplus, end of year (Note 13)</b>		<b>53,978,283</b>	<b>55,486,567</b>	<b>53,943,132</b>

The accompanying notes are an integral part of these financial statements

**Songhees Nation**  
**Consolidated Statement of Remeasurement Gains and Losses**  
*For the year ended March 31, 2020*

	<i>2020</i>	<i>2019</i>
<b>Accumulated remeasurement gains, beginning of year</b>	<b>1,642,587</b>	1,698,506
<b>Unrealized losses attributable to:</b>		
Designated fair value financial instruments	<b>(3,065,000)</b>	(55,919)
<b>Accumulated remeasurement gains (losses), end of year</b>	<b>(1,422,413)</b>	1,642,587



**Songhees Nation**  
**Consolidated Statement of Changes in Net Financial Assets**  
*For the year ended March 31, 2020*

	<i>2020 Budget (Note 9)</i>	<i>2020</i>	<i>2019</i>
<b>Annual surplus</b>	<b>35,151</b>	<b>1,543,435</b>	7,945,607
Purchases of tangible capital assets	<b>(750,000)</b>	<b>(7,830,925)</b>	(1,436,209)
Amortization of tangible capital assets	<b>545,000</b>	<b>935,694</b>	1,054,632
Loss on disposal of tangible capital assets	-	-	113,843
Decrease (increase) of prepaid expense	-	<b>113,548</b>	(57,965)
Decrease in inventory	-	<b>3,772</b>	21,719
Remeasurement losses for the year	-	<b>(3,065,000)</b>	(55,919)
<b>Increase (decrease) in net financial assets</b>	<b>(169,849)</b>	<b>(8,299,476)</b>	7,585,708
<b>Net financial assets, beginning of year</b>	<b>18,611,307</b>	<b>18,611,307</b>	11,025,599
<b>Net financial assets, end of year</b>	<b>18,441,458</b>	<b>10,311,831</b>	18,611,307

*The accompanying notes are an integral part of these financial statements*

**Songhees Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2020*

	2020	2019
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Annual surplus	1,543,435	7,945,607
Non-cash items		
Amortization	935,694	1,054,632
Bad debts	21,287	43,522
Earnings from investment in Nation business enterprises and partnerships	(271,038)	(282,374)
Loss on disposal of tangible capital assets	-	113,843
Gain on sale of portfolio investments	(251,727)	(165,097)
	1,977,651	8,710,133
Changes in working capital accounts		
Accounts receivable	(674,698)	23,192,236
Accounts payable and accruals	1,973,439	(4,310,896)
Prepaid expenses	113,548	(57,965)
Inventory	3,772	21,719
	3,393,712	27,555,227
<b>Financing activities</b>		
Advances of long-term debt	-	11,820,000
Repayment of long-term debt	(733,705)	(12,438,122)
Repayment of due to related parties	(2,010,513)	(71,228)
	(2,744,218)	(689,350)
<b>Capital activities</b>		
Purchases of tangible capital assets	(7,830,925)	(1,436,209)
<b>Investing activities</b>		
Purchase of investments	(24,995,213)	(2,020,740)
Proceeds on disposal of investments	13,739,207	752,229
Change in restricted cash	(147,721)	(211,570)
Purchase of term deposits	(2,500,000)	(5,500,000)
Proceeds on disposal of term deposits	5,500,000	-
Change in funds held in trust	(10)	(1,316)
Advances from Nation business partnerships	126,790	-
	(8,276,947)	(6,981,397)
<b>Increase in cash and cash equivalents</b>	(15,458,378)	18,448,271
<b>Cash and cash equivalents, beginning of year</b>	22,347,280	3,899,009
<b>Cash and cash equivalents, end of year</b>	6,888,902	22,347,280
Interest paid	809,124	782,044

The accompanying notes are an integral part of these financial statements

**1. Operations**

Songhees Nation (the "Nation") is located in the province of British Columbia, and provides various services to its members. Songhees Nation includes the Nation's members, government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

**2. Significant accounting policies**

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

***Reporting entity consolidated***

The financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity, except for Nation's business enterprises and Nation business partnerships.

The Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Songhees James Bay Village Trust
- Songhees Cadboro Bay Trust
- Songhees Cadboro Bay Settlement Minors Trust
- Songhees Tours Inc.
- Songhees Nation Investment Corporation Ltd.
- Lekwungen Development Corporation
- Songhees Seafood & Steam Ltd.
- 0903625 BC Ltd.
- Songhees Development Corporation
- Songhees Development Limited Partnership

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Nation business enterprises, owned or controlled by the Nation's Chief and Council but not dependent on the Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method.

Nation business partnerships, jointly owned and controlled by the Nation's Chief and Council are not dependent on the Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method.

Under the modified equity method, the equity method of accounting is modified only to the extent that business entity accounting principles are not adjusted to conform to those of the Nation. Thus, Nation's investment in these entities are recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- Xhamasung Holdings Limited Partnership
- Matuilia Holdings Limited Partnership
- Skungeenes Holdings Limited Liability Partnership
- 1167142 BC Ltd.
- Xhamasung Holdings General Partner Corporation
- Matuilia Holdings General Partner Corporation

**2. Significant accounting policies** *(Continued from previous page)*

***Cash and cash equivalents***

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

***Tangible capital assets***

Tangible capital assets are recorded at cost less accumulated amortization.

Contributed tangible capital assets are recorded at their fair market value at the time of acquisition.

***Amortization***

Amortization for tangible capital assets is provided using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives. See below for amortization rates of specific asset categories.

All intangible assets and items inherited by the right of the Nation, such as reserve land, forests, water and mineral resources, are not recognized in the Nation's consolidated financial statements. In addition, artwork and carvings have an unlimited useful life, and therefore are not depreciated.

	<b><i>Method</i></b>	<b><i>Rate</i></b>
Automotive	straight-line	3 to 4 years
Boats	straight-line	3 to 4 years
Buildings and improvements	straight-line	20 to 25 years
Docks	straight-line	20 years
Food truck	straight-line	12 to 13 years
General equipment	straight-line	5 years
General housing	straight-line	25 years
Infrastructure	straight-line	25 years
Leasehold improvements	straight-line	4 years

***Basis of presentation***

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

***Long-lived assets***

Long-lived assets consist of tangible capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using quoted market prices. Any impairment is included in operations for the year.

***Funds held in trust***

Funds held in trust on behalf of Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

**2. Significant accounting policies** *(Continued from previous page)*

***Net financial assets***

The Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the Nation is determined by its financial assets less its liabilities. Net financial assets is comprised of two components, non-financial assets and accumulated surplus.

***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 normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

***Investments***

Portfolio investments with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment. Portfolio investments with prices quoted in an active market include Changes in fair value are recorded in the statement of remeasurement gains (losses).

Long-term investments in entities that are not owned, controlled or influenced by the Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

***Measurement uncertainty***

The preparation of consolidated consolidated 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 and disclosure of contingent assets and liabilities at the date of the consolidated consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

Inventories are valued at lower of cost and net realizable value using the first in, first out costing method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling costs.

A liability for a contaminated site reflects management's best estimate of the amount required to remediate the contaminated site. The best estimate of the liability is based upon assumptions and estimates related to the amount and timing of costs for future site remediation. Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations in the periods in which they become known.

***Financial instruments***

The Nation's financial instruments consist of cash and cash equivalents, restricted cash, term deposits, accounts receivable, investments, accounts payable and accruals, due to related parties and long-term debt. Unless otherwise noted, it is management's opinion that the Nation is not exposed to significant interest, credit, or currency risks, arising from these financial instruments.

**2. Significant accounting policies** *(Continued from previous page)*

***Revenue recognition***

**Government transfers**

The Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

**Funds held in trust**

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.

**Rental income**

Rental income 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.

**Property taxation**

Property taxation revenues are recognized in the year that they are levied.

**Sales**

Revenue from the sale of goods and services are recognized as services are rendered or goods are sold, once amounts can be reasonably measured, and collectibility is reasonably assured.

**Other revenue**

Other revenue is recognized when a sale is made or a service has been provided, once amounts can be reasonably measured, and collectibility is reasonably assured.

***Liability for contaminated site***

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2020.

At each financial reporting date, the Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at March 31, 2020, no liability for contaminated sites exists.

***Segments***

The Nation conducts its business through seven of reportable segments as described in Note 15. These operating segments are established by senior management to facilitate the achievement of the Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

**Songhees Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2020*

**3. Restricted cash**

Social Housing Reserves

Post 1996 phases

Under the terms of the agreements with CMHC, the replacement reserve account is to be credited in the amount of \$16,000 (2019 - \$16,000) annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. At year-end, the Post 1996 replacement reserve balance was \$1,071 (2019 - \$49,308) and was adequately funded (2019 - adequately funded).

Under the terms of the agreements with CMHC, excess federal assistance payments may be retained in an Operating Reserve. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. For the Post 1996 phases, the funds may be used to offset future deficits. Withdrawals are credits to interest first and then principal. At year-end, the operating reserve balance was \$120,244 (2019 - \$113,794) and was underfunded by \$13,410 (2019 - underfunded by \$8,680).

Pre 1997 phases

Under the terms of the agreements with CMHC, the replacement reserve account is to be credited in the amount of \$4,147 (2019 - \$4,976) annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. At year-end, the Pre 1997 replacement reserve balance was \$77,959 (2019 - \$72,209) was underfunded by \$5,518 (2019 - adequately funded).

Songhees Nation was issued a debt instrument through the First Nation Finance Authority ("FNFA"). As a condition of this borrowing, a portion of the debenture proceeds are withheld by the FNFA as a debt reserve fund. The deposit at March 31, 2020 was \$1,184,549 (2019- \$1,041,070).

	2020	2019
Replacement and operating reserves	339,203	334,960
Replacement and operating FNFA debt reserve	1,184,549	1,041,070
	<b>1,523,752</b>	<b>1,376,030</b>

**4. Term deposits**

	2020	2019
Guaranteed Investment Certificates maturing April 13, 2020, bearing interest at 2.05%.	2,500,000	-
Guaranteed Investment Certificates - matured February 05, 2020	-	4,500,000
Guaranteed Investment Certificates - matured February 17, 2020	-	1,000,000
	<b>2,500,000</b>	<b>5,500,000</b>

**Songhees Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2020*

**5. Accounts receivable**

	2020	2019
Trade receivables	457,450	465,289
ISC receivable	450,158	-
Property tax receivable	402,304	330,404
Rent receivable	394,183	362,802
Province of BC	100,989	-
Interest receivable	49,705	-
CMHC subsidy assistance	3,136	3,547
	1,857,925	1,162,042
Less: allowance for doubtful accounts	455,347	434,162
	1,402,578	727,880

**6. Investments**

	2020	2019
Measured at cost:		
Salish Sea Industrial Services Ltd.	26	26
Measured at fair value:		
Bank of Montreal Trust Company - James Bay Village Trust	9,132,489	9,162,765
Bank of Montreal Trust Company - Cadboro Bay Trust	9,430,222	-
Municipal Finance Authority, money market funds	2,724,538	2,577,056
Zenabis Global Inc.	33,374	1,159,336
	21,320,649	12,899,183

**7. Demand loan**

The Nation holds a revolving credit facility to a maximum of \$100,000 available with the Royal Bank of Canada bearing interest at prime plus 1.00%. There are no specified terms of repayment. The credit facility is secured by a general security agreement over all personal property of the Nation. As at March 31, 2020 no amount is drawn on the credit facility.



**Songhees Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2020*

**8. Funds held in trust**

Capital and revenue trust funds are transferred to the Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the Nation's Council.

	2020	2019
<b>Capital Trust</b>		
Balance, beginning and end of year	219	219
<b>Revenue Trust</b>		
Balance, beginning of year	1,323	5
Interest	25	19
British Columbia Special Distribution	1,300	1,299
Withdrawals	(1,335)	-
Balance, end of year	1,313	1,323
	<b>1,532</b>	<b>1,542</b>

**Ottawa Trust Funds**

The Ottawa Trust accounts arise from moneys 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 and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the *Indian Act*.

**9. Budget information**

Budget figures represent the budget adopted by Songhees Nation on March 27, 2019. The adopted budget included capital expenditures rather than amortization expense, transfers, and mortgage principal repayments as an expense.

The following reconciliation of the annual surplus is provided to show which items must be added or removed to reflect the adopted budget.

Budgeted annual surplus per the Consolidated Statement of Operations and Accumulated Surplus	35,151
Adjusted for:	
Transfers from local revenue	300,000
Reserve fund allocation	(22,050)
Transfers to business entities	(575,000)
Capital purchases	(750,000)
Debt repayment	(755,495)
<u>Budgeted deficit approved by Chief and Council</u>	<u>(1,767,392)</u>

**Songhees Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2020*

**10. Investment in Nation business enterprises and partnerships**

The Nation uses the investees year-end financial statements to account for its investment in these investees. All investees have a March 31, 2020 year-end.

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Share of earnings (loss)</i>	<i>Withdrawals</i>	<i>2020 Total investment</i>
<b>Nation Business Enterprises</b>					
Matullia Holdings General Partner Corporation - 50%	(101)	26	28	(3,098)	(3,145)
Xhamasung Holdings General Partner Corporation - 50%	(183)	-	4	(1,919)	(2,098)
1161742 B.C. Ltd. - 50%	-	-	(1,791)	-	(1,791)
	(284)	26	(1,759)	(5,017)	(7,034)

<b>Nation Business Partnerships</b>					
Matullia Holdings Limited Partnership - 50%	2,107,265	-	255,973	-	2,363,238
Xhamasung Holdings Limited Partnership - 50%	201,201	-	40,852	(125,000)	117,053
Skungeenes Holdings Limited Liability Partnership - 50%	14,613	-	(20,828)	-	(6,215)
	2,323,079	-	275,997	(125,000)	2,474,076
	2,322,795	26	274,238	(130,017)	2,467,042

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Share of earnings (loss)</i>	<i>Withdrawals</i>	<i>2019 Total investment</i>
<b>Nation Business Enterprises</b>					
Matullia Holdings General Partner Corporation- 50%	1	-	(102)	-	(101)
Xhamasung Holdings General Partner Corporation- 50%	1	-	(184)	-	(183)
	2	-	(286)	-	(284)

<b>Nation Business Partnerships</b>					
Matullia Holdings Limited Partnership - 50%	1,939,449	-	286,430	(118,614)	2,107,265
Xhamasung Holdings Limited Partnership - 50%	305,478	89,621	(57,278)	(136,620)	201,201
Skungeenes Holdings Limited Liability Partnership - 50%	(44,460)	43,209	15,864	-	14,613
	2,200,467	132,830	245,016	(255,234)	2,323,079
	2,200,469	132,830	244,730	(255,234)	2,322,795

**Songhees Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2020*

**10. Investment in Nation business enterprises and partnerships** *(Continued from previous page)*

Summary financial information for each Nation business enterprise and partnership, accounted for using the modified equity method, for their respective year-end is as follows:

	<b>Matullia Holdings Limited Partnership As at March 31, 2020</b>	<b>Xhamasung Holdings Limited Partnership As at March 31, 2020</b>	<b>Skungeenes Holdings Limited Liability Partnership As at March 31, 2020</b>	<b>1161742 BC Ltd. As at March 31, 2020</b>
<b>Assets</b>				
Cash	422,142	357,084	1,620	-
Term deposit	1,240,378	-	-	-
Development costs	304,859	-	-	-
Due from related parties	578,783	244	-	-
Inventory	-	38,026	-	-
Prepaid expenses	773	3,287	-	271,255
Accounts receivable	-	-	-	13,368
Property, plant and equipment	2,193,182	4,589,734	-	266,653
<b>Total assets</b>	<b>4,740,117</b>	<b>4,988,375</b>	<b>1,620</b>	<b>551,276</b>
<b>Liabilities</b>				
Accounts payable and accruals	19,933	49,537	7,357	1,250
Customer deposits	-	132,267	-	-
Due to related parties	-	18,727	6,694	553,606
Investment in Limited Partnership	-	-	-	-
Long-term debt	-	4,557,936	-	-
<b>Total liabilities</b>	<b>19,933</b>	<b>4,758,467</b>	<b>14,051</b>	<b>554,856</b>
<b>Partners' capital</b>	<b>4,720,184</b>	<b>229,908</b>	<b>(12,431)</b>	<b>(3,580)</b>
<b>Total revenue</b>	<b>543,128</b>	<b>843,441</b>	<b>-</b>	<b>3,939</b>
<b>Total expenses</b>	<b>31,132</b>	<b>761,729</b>	<b>41,656</b>	<b>2,150</b>
<b>Net income (loss)</b>	<b>511,996</b>	<b>81,712</b>	<b>(41,656)</b>	<b>1,789</b>

**Songhees Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2020*

**10. Investment in Nation business enterprises and partnerships** *(Continued from previous page)*

	<i>Matullia Holdings General Partner Corporation As at March 31, 2020</i>	<i>Xhamasung Holdings General Partner Corporation As at March 31, 2020</i>
<b>Assets</b>		
Cash	-	-
Term deposit	-	-
Development costs	-	-
Due from related parties	-	-
Inventory	-	-
Prepaid expenses	-	-
Accounts receivable	17	2
Property, plant and equipment	-	-
<b>Total assets</b>	<b>17</b>	<b>2</b>
<b>Liabilities</b>		
Accounts payable and accruals	-	-
Customer deposits	-	-
Due to related parties	-	-
Investment in Limited Partnership	6,290	4,198
Long-term debt	-	-
<b>Total liabilities</b>	<b>6,290</b>	<b>4,198</b>
<b>Partners' capital</b>	<b>(6,273)</b>	<b>(4,196)</b>
<b>Total revenue</b>	<b>51</b>	<b>8</b>
<b>Total expenses</b>	<b>6,122</b>	<b>3,837</b>
<b>Net income (loss)</b>	<b>(6,071)</b>	<b>(3,829)</b>

**11. Accounts payable and accruals**

	<i>2020</i>	<i>2019</i>
Payable to minors	<b>2,138,589</b>	187,179
Trade payable and accruals	<b>526,900</b>	586,869
ISC payable	<b>479,797</b>	456,385
Wage benefits payable	<b>95,270</b>	36,684
	<b>3,240,556</b>	1,267,117

**Songhees Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2020*

**12. Long-term debt**

	2020	2019
Royal Bank of Canada - repayable at \$70,953 per month including interest at 4.03%; due February 2024, secured by general security agreement against all personal property of the Nation.	11,383,107	11,766,006
First Nations Finance Authority - repayable at \$24,447 per month including interest at 3.79%; due June, 2024, secured by Nation council resolution and lease income.	4,669,993	4,783,087
First Nations Finance Authority - repayable at \$11,245 per month including interest at 2.72%; no set repayment terms, secured by Nation council resolution and lease income.	2,674,375	2,700,000
Bank of Montreal demand loan - repayable in quarterly installments of \$30,000, interest at prime rate, secured by general security agreement providing a first charge on the regular investments and promissory notes for all loan facilities.	2,040,000	2,160,000
First Nations Finance Authority - repayable at \$5,047 per month including interest at 3.65%; due June 1, 2028. secured by Nation council resolution and lease income.	1,011,869	1,036,400
All Nations Trust - repayable at \$905 per month including interest at 4.25%; due July, 2023; secured by guarantee of Indigenous Services Canada.	139,047	143,449
Phase 8 - All Nations Trust - repayable at \$1,524 per month including interest at 1.69%, secured by guarantee of Indigenous Services Canada, matures August 1, 2029 and renewing September 1, 2024.	159,163	174,570
Phase 9 - All Nations Trust - repayable at \$3,528 per month including interest at 1.97% , secured by guarantee of Indigenous Services Canada, matures November 1, 2032 and renewing on December 1, 2022.	474,514	507,174
Phase 7 - All Nations Trust - repaid during the year.	-	15,087
	<b>22,552,068</b>	<b>23,285,773</b>

Principal repayments on long-term debt in each of the next five years, assuming term loans subject to refinancing are renewed, are estimated as follows:

	Principal
2021	741,634
2022	764,683
2023	788,711
2024	813,761
2025	839,876
	<b>3,948,665</b>
Thereafter	18,603,403

At March 31, 2020, the prime rate was at 2.45% (2019 - 3.95%).

**Songhees Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2020*

**13. Accumulated surplus**

Accumulated annual surplus consists of the following:

	2020	2019
Equity in Ottawa Trust Funds	1,532	1,542
Unrestricted surplus	6,463,158	29,106,740
Equity in tangible capital assets	21,003,861	13,374,927
Equity in Nation business enterprises and partnerships	2,108,251	1,797,825
Equity in Songhees Nation trusts	22,978,360	6,748,936
Equity in local revenue reserve	2,732,151	2,585,794
Equity in social housing	199,254	327,368
Accumulated remeasurement gains (losses)	(1,422,413)	1,642,587
	<b>54,064,154</b>	<b>55,585,719</b>

**14. Indigenous Services Canada funding reconciliation**

	2020	2019
Revenue per confirmation	3,383,117	3,123,640
ISC recoveries	(23,413)	-
	<b>3,359,704</b>	<b>3,123,640</b>

**15. Segments**

The Nation receives revenues and incurs expenses from many different projects and sources. For management and reporting purposes, the revenues, expenses and surpluses or deficits are organized by the following segments:

**Administration and Governance**

This segment includes administrative support, financial management, and governance operations of the Nation

**Local Services**

This segment includes revenues and expenses from dealing with the management of land and maintenance of roads, property taxation, water and waste as well as municipal type service agreements for fire protection and CRD services.

**Education Services**

This segment includes revenues and expenses relating to the primary, secondary and post-secondary education of the members and status residents of the Nation.

**Community Services**

This segment report revenue generated from FNGST, land leases, benefit agreements and economic development. Expenditures include community events, food fish, distributions to members and transfers to support programs and services.

**Health and Social Services**

This segment includes revenues and expenses relating to health and social services, other family services and income assistance for eligible clients.

**Social Housing**

This segment includes activities related to the provision of CMHC subsidized housing for Songhees members.

**16. Contingencies**

The Nation may be contingently liable with respect to Ministerial guarantees for "On Reserve Housing Loans" to various financial institutions in the amount of \$65,840 (2019 - \$82,269). These loan guarantees are in addition to CMHC mortgages.

These consolidated financial statements are subject to review by the Nation's funding agents. It is possible that adjustment could be made based on the results of their reviews. Any liabilities resulting from these reviews will be accounted for as an expense at the time of resolution.

**17. Financial Instruments**

The Nation as part of its operations carries a number of financial instruments. It is management's opinion that the Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

***Risk Management Policy***

The Nation does not have formal risk management policies in place.

***Credit risk***

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations. Financial instruments that potentially subject the Nation to concentrations of credit risk consists principally of cash and cash equivalents, restricted cash, term deposits, accounts receivable and investments. The maximum credit risk exposure is \$33,635,881 (2019 - \$42,850,373).

The Nation manages its credit risk by holding cash balances with a chartered financial institution and holding investments in a well diversified portfolio.

***Market risk***

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market

***Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Nation manages exposure through diversification of the portfolio and low risk investments.

**18. Significant Event**

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Nation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

**19. Comparative figures**

Certain comparative figures have been reclassified to conform with current year's presentation.