

Consolidated Financial Statements of

**TAKU RIVER TLINGIT
FIRST NATION**

Year ended March 31, 2017

TAKU RIVER TLINGIT FIRST NATION

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Year ended March 31, 2017

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MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Taku River Tlingit First Nation are the responsibility of management and have been approved by the Spokesperson and Clan Directors.

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 Canadian Institute of Chartered Accountants 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.

The Spokesperson and Clan Directors 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.

The Spokesperson and Clan Directors 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 consolidated financial statements and the external auditor’s report.

The external auditors, KPMG LLP, 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 Taku River Tlingit First Nation and meet when required.

On behalf of Taku River Tlingit First Nation:

“**Louise Gordon**”
Spokesperson

“**Shirley Reeves**”
Crow Clan Director

“**Caitlin O’Shea**”
Crow Clan Director

“**Sylvester Jack**”
Wolf Clan Director

“**Rodger Thorlakson**”
Wolf Clan Director



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INDEPENDENT AUDITOR'S REPORT

To the Spokesperson and Clan Directors of Taku River Tlingit First Nation

We have audited the accompanying consolidated financial statements of Taku River Tlingit First Nation (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2017 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Summary of Significant Accounting Policies describes the accounting policy with respect to the Nation's tangible capital assets. For fiscal years commencing on or after January 1, 2009, Section 3150, Tangible Capital Assets, of the Public Sector Accounting Board Handbook requires that capital assets be capitalized and amortized over their estimated useful lives. The Nation has not fully adopted these recommendations. Although the Nation has recognized certain tangible capital assets and amortization as of the date of consolidated financial statement preparation, the Nation has not gathered the necessary information to be in a position to recognize and disclose a complete inventory of any of its major classes of tangible capital assets. As a result, we have been unable to obtain sufficient audit evidence to form an opinion with respect to the possible amount of such assets, amortization for the current period and accumulated surplus. This caused us to qualify our audit opinion on the consolidated financial statements as at and for the year ended March 31, 2016.

In addition, the Nation has not included disclosure of budget information as required by Canadian public sector accounting standards because budgets were not prepared.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



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Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Taku River Tlingit First Nation as at March 31, 2017, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

October 10, 2017
Burnaby, Canada

TAKU RIVER TLINGIT FIRST NATION

Consolidated Statement of Financial Position

March 31, 2017, with comparative information for 2016

| | 2017 | 2016 |
|--|---------------|----------------------|
| | | (recast - note 2) |
| Financial Assets | | |
| Cash | \$ 2,135,473 | \$ 798,674 |
| Accounts receivable (note 3) | 499,331 | 321,183 |
| Contributions receivable (note 4) | 810,187 | 885,693 |
| Inventory held for resale | 40,054 | 64,189 |
| Restricted cash (note 5) | 406,608 | 364,098 |
| Trust funds (note 6) | 305,255 | 199,086 |
| Debt reserve fund held by First Nation Finance Authority (note 7) | 103,256 | 101,846 |
| Investment in and advances to government business enterprises (note 8) | 8,855,909 | 8,941,581 |
| | 13,156,073 | 11,676,350 |
| Liabilities | | |
| Bank indebtedness (note 9) | 392,896 | 206,173 |
| Accounts payable and accrued liabilities (note 10) | 1,982,516 | 2,029,357 |
| CMHC replacement reserve | 412,026 | 385,486 |
| Deferred revenue (note 11) | 1,121,845 | 215,081 |
| Debt (note 12) | 9,201,273 | 9,204,985 |
| | 13,110,556 | 12,041,082 |
| Net financial assets (debt) | \$ 45,517 | \$ (364,732) |
| Non-Financial Assets | | |
| Tangible capital assets (note 13) | 13,907,443 | 12,400,689 |
| Prepaid expenses | 39,172 | 26,957 |
| | 13,946,615 | 12,427,646 |
| Commitments and contingencies (note 15) | | |
| Accumulated surplus (note 14) | \$ 13,992,132 | \$ 12,062,914 |

See accompanying notes to consolidated financial statements.

Approved on behalf of the Taku River Tlingit First Nation:

“Louise Gordon”
Spokesperson

“Shirley Reeves”
Crow Clan Director

“Sylvester Jack”
Wolf Clan Director

“Caitlin O’Shea”
Crow Clan Director

“Rodger Thorlakson”
Wolf Clan Director

TAKU RIVER TLINGIT FIRST NATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2017, with comparative information for 2016

| | 2017 | 2016 |
|--|---------------|----------------------|
| | | (recast - note 2) |
| Revenue: | | |
| Indigenous and Northern Affairs Canada | \$ 4,205,314 | \$ 4,319,772 |
| Province of British Columbia | 660,798 | 751,732 |
| Government of Canada | 669,550 | 224,493 |
| Health Canada | 477,111 | 459,900 |
| Fisheries and Oceans Canada | 379,131 | 369,156 |
| B.C. Treaty Commission | 72,025 | 69,160 |
| Other revenue | 1,336,998 | 929,614 |
| Rental income | 272,303 | 254,080 |
| Modified equity from government business enterprises | 309,462 | 299,615 |
| Other economic activities | 1,064,529 | 783,160 |
| | 9,447,221 | 8,460,682 |
| Expenses: | | |
| Capital | 1,003,624 | 918,237 |
| Economic Development | 162,787 | 129,493 |
| Education | 1,097,009 | 1,061,617 |
| Fisheries | 447,215 | 404,183 |
| Governance and administration | 767,589 | 1,130,557 |
| Health and social | 748,763 | 1,062,794 |
| Lands | 1,076,402 | 784,489 |
| Operations, maintenance and housing | 705,506 | 1,256,371 |
| Other economic activities | 1,509,108 | 724,612 |
| | 7,518,003 | 7,472,353 |
| Annual surplus | 1,929,218 | 988,329 |
| Accumulated surplus, beginning of year | 12,062,914 | 11,074,585 |
| Accumulated surplus, end of year | \$ 13,992,132 | \$ 12,062,914 |

See accompanying notes to consolidated financial statements.

TAKU RIVER TLINGIT FIRST NATION

Consolidated Statement of Changes in Net Financial Assets (Debt)

Year ended March 31, 2017, with comparative information for 2016

| | 2017 | 2016 |
|--|--------------|--------------|
| Annual surplus | \$ 1,929,218 | \$ 988,329 |
| Acquisition of tangible capital assets | (2,464,491) | (1,590,355) |
| Amortization of tangible capital assets | 957,737 | 901,177 |
| | (1,506,754) | (689,178) |
| Acquisition of prepaid asset | 26,957 | 10,369 |
| Use of prepaid asset | (39,172) | (26,957) |
| | (12,215) | (16,588) |
| Increase in net financial assets | 410,249 | 282,563 |
| Net financial assets (debt), beginning of year | (364,732) | (647,295) |
| Net financial assets (debt), end of year | \$ 45,517 | \$ (364,732) |

See accompanying notes to consolidated financial statements.

TAKU RIVER TLINGIT FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

| | 2017 | 2016 |
|--|--------------|----------------------|
| | | (recast - note 2) |
| Cash provided by (used in): | | |
| Operations: | | |
| Annual surplus | \$ 1,929,218 | \$ 988,329 |
| Items not affecting cash: | | |
| Amortization | 957,737 | 901,177 |
| Modified equity from government business enterprises | (309,462) | (299,615) |
| | 2,577,493 | 1,589,891 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | (178,148) | (119,209) |
| Contributions receivable | 75,506 | (121,805) |
| Inventory held for resale | 24,135 | (22,205) |
| Prepaid expenses | (12,215) | (16,588) |
| Accounts payable and accrued liabilities | (46,841) | 404,661 |
| Replacement reserves | 26,540 | 31,496 |
| Deferred revenue | 906,764 | (74,980) |
| | 3,373,234 | 1,671,261 |
| Capital: | | |
| Acquisition of tangible capital assets | (2,464,491) | (1,590,355) |
| Investing: | | |
| Net repayments from government business enterprises | 395,134 | 1,950 |
| Debt reserve fund held by First Nation Finance Authority | (1,410) | (953) |
| Trust fund payments | (106,169) | (4,521) |
| Addition to restricted cash | (42,510) | (186,588) |
| | 245,045 | (190,112) |
| Financing: | | |
| Increase in bank indebtedness | 186,723 | 206,173 |
| Repayment of long-term debt | (219,787) | (213,063) |
| Proceeds from long-term debt | 216,075 | 276,640 |
| | 183,011 | 269,750 |
| Increase in cash and cash equivalents | 1,336,799 | 160,544 |
| Cash and cash equivalents, beginning of year | 798,674 | 638,130 |
| Cash and cash equivalents, end of year | \$ 2,135,473 | \$ 798,674 |

See accompanying notes to consolidated financial statements.

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2017

Taku River Tlingit First Nation is a First Nation located in Northern British Columbia that works to ensure enhanced quality of life for all generations of its people to develop a sustainable, self-reliant, vibrant community that is built upon the historical and traditional values of its community.

1. Significant accounting policies:

The consolidated financial statements of the Taku River Tlingit First Nation (the “Nation”) are the representation of management prepared in accordance with Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board (“PSAB”) of Chartered Professional Accountants of Canada.

(a) Basis of presentation and consolidation:

The consolidated financial statements reflect activities of the Nation and its wholly-owned subsidiaries and partnerships.

(i) Consolidated entities:

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

The following organizations are controlled by the Nation and are fully consolidated in these financial statements:

| | |
|--|-----------------------|
| Atlin Tlingit Economic GP Ltd. | Taku Land Corporation |
| Atlin Tlingit Economic Limited Partnership | |

(ii) Investments in government business enterprises:

The Nation accounts for its investments in its government business enterprises using the modified equity method. Under this method, the Nation’s investment in the business enterprise and its net income and other changes in equity are recorded. No adjustment is made to conform the accounting policies of the government business enterprise to those of the Nation. Inter-organizational transactions and balances have not been eliminated, except for any profit or loss on transactions of assets that remain within the entities. The shares of these government business enterprises are held in trust by various nation members on behalf of the Nation.

The following organizations are government business enterprises and are accounted for by the modified equity method:

| | |
|-----------------------------|------------------------------|
| Atlin Food Services Limited | Taku Wild Products Ltd. |
| Atlin Power Ltd. | Tlingit Homeland Energy Ltd. |
| Taku Holdings Ltd. | ATELP Welding Services Ltd. |

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(a) Basis of presentation and consolidation (continued):

(iii) Investments in government partnerships:

Government partnerships that are business partnerships are accounted for by the modified equity method.

The following organizations are government business partnerships and are accounted for by the modified equity method:

Tlingit Homeland Energy Limited Partnership
Xeiti Limited Partnership

(b) Use of accounting estimates:

The preparation of the consolidated financial statements 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to determining the allowance for doubtful accounts, the useful lives of non-financial assets for amortization, liability for contaminated sites, and provision for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in the consolidated financial statements in the period that the change in estimate is made, as well as in the period of settlement if the amount is different.

(c) Basis of accounting for revenue and expenses:

Revenue is recorded on the accrual basis and is recognized when it is earned and measurable. Revenue relating to future periods, including government grants, are reported as deferred revenue and recognized as revenue when earned.

Restricted transfers from governments are deferred and recognized as revenue as the related expenditures are incurred or the stipulations in the related agreements are met. Unrestricted transfers are recognized as revenue when received or if the amount to be received can be reasonably estimated and collection is reasonably assured.

Expenses are recorded on the accrual basis and are recognized as they are incurred. This is upon the receipt of goods or services and/or the creation of a legal obligation.

(d) Inventory held for resale:

Inventory held for resale is recorded at the lower of cost or net realizable value.

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(e) Non-financial assets:

Non-financial assets that are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver Nation services, may be consumed in normal operations and are not for resale. Non-financial assets include, tangible capital assets and prepaid expenses.

(i) Tangible capital assets:

Tangible capital assets are carried at cost less accumulated amortization. The Nation amortizes its tangible capital assets on a straight-line basis over the estimated useful lives as follows:

| Asset | Rate |
|---|-------------|
| Buildings | 25 years |
| Equipment | 5-10 years |
| Fuel Station equipment | 8-20 years |
| Houses | 25 years |
| Office furniture and computer equipment | 5-10 years |
| Roads | 40 years |
| Trucks and trailers | 10-20 years |
| Vehicles | 5-10 years |
| Tools and miscellaneous | 10-20 years |
| Water and sewer | 40 years |

Leasehold improvements are amortized straight-line over the term of the lease.

When a tangible capital asset no longer contributes to the Nation's ability to provide services, its carrying value is written down to its residual value.

(ii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

(iii) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(iv) Settlement lands:

Settlement lands to which no acquisition cost is attributable are not recognized as assets in the consolidated financial statements.

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(f) Budget information:

A budget for the Nation has not been prepared and therefore is not available for disclosure in the financial statements.

(g) Segment disclosures:

A segment is defined as a distinguishable activity of group of activities of the Nation, for which it is appropriate to separately report financial information to achieve the objectives of the standard. The Nation has provided definitions of segments used by the Nation as well as presented financial information in segment format (note 18).

(h) Contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. Liabilities are recorded net of any expected recoveries.

A liability for remediation of contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental standards;
- (iii) The Nation is directly responsible or accepts responsibility;
- (iv) It is expected that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

2. Prior period recast:

During the year, the Nation determined that an adjustment was required to correct the deferred revenue, cash, revenue and expense balances related to a program administered by the Nation in its comparative information. This adjustment resulted in a decrease of \$1,158,216 to the deferred revenue and cash balances as at March 31, 2016 and a decrease of \$361,588 to the revenue and expense balances for the year ended March 31, 2016. There was no impact on net financial debt, annual surplus or accumulated surplus as a result of the adjustment.

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

3. Accounts receivable:

| | 2017 | 2016 |
|---------------------------------|------------|------------|
| Accounts receivable | \$ 459,143 | \$ 287,152 |
| Rent receivable | 292,222 | 252,279 |
| Allowance for doubtful accounts | (252,034) | (218,248) |
| | \$ 499,331 | \$ 321,183 |

4. Contributions receivable:

| | 2017 | 2016 |
|--|------------|------------|
| CMHC | \$ 246,883 | \$ 12,918 |
| British Columbia Treaty Commission | 136,640 | 136,640 |
| Fisheries and Oceans Canada | 55,131 | 35,996 |
| Government of Yukon | 242,500 | 120,000 |
| Indigenous and Northern Affairs Canada | 37,333 | 532,329 |
| Other | 91,700 | 47,810 |
| | \$ 810,187 | \$ 885,693 |

5. Restricted cash:

| | 2017 | 2016 |
|--|------------|------------|
| Post-1996 CMHC - replacement reserve | \$ 302,958 | \$ 280,852 |
| Pre-1997 CMHC - replacement reserve | 83,582 | 63,178 |
| Forest Range Opportunities (FRO) and revenue sharing | 20,068 | 20,068 |
| | \$ 406,608 | \$ 364,098 |

The amount required by CMHC to be held in reserve, \$412,026 (2016 - \$385,486) is underfunded by \$25,486 (2016 - \$41,456). Subsequent to year-end the underfunded amount was transferred to the replacement reserve bank account.

6. Trust funds:

At March 31, 2017, the Government of Canada holds funds in trust on behalf of the Nation of \$205,255 (2016 - \$199,086). Additionally, \$100,000 (2016 - nil) is held in trust with legal counsel at March 31, 2017.

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

7. Debt reserve fund held by First Nation Finance Authority:

As part of the borrowing agreement with First Nation Finance Authority ("FNFA"), as described in notes 8(b) and 12, the Nation maintains a deposit of \$100,000 with FNFA bearing interest at rates ranging from 1.05% to 1.20% as a debt reserve fund.

8. Investment in and advances to government business enterprises:

Condensed financial information for the Nation's government business enterprises and government business partnerships is as follows:

| | Hydro- electric business | Fisheries and other business | 2017 Total | 2016 Total |
|--|--------------------------------|------------------------------------|---------------|---------------|
| Cash | \$ 214,163 | \$ 44,055 | \$ 258,218 | \$ 473,923 |
| Trade receivables | 808,946 | 8,439 | 817,385 | 560,163 |
| Unbilled revenue | 2,258,797 | - | 2,258,797 | 2,150,000 |
| Other assets | 892,969 | 32,614 | 925,583 | 918,853 |
| Property, plant and equipment | 14,152,737 | 38,692 | 14,191,429 | 14,486,463 |
| | | | - | - |
| Total assets | \$ 18,327,612 | \$ 123,800 | \$ 18,451,412 | \$ 18,589,402 |
| Accounts payable and accrued liabilities | \$ 48,003 | \$ 3,464 | \$ 51,467 | \$ 54,831 |
| Due to related parties | 3,150,100 | 25,064 | 3,175,164 | 3,419,356 |
| Long-term debt | 10,919,040 | - | 10,919,040 | 11,268,934 |
| Total liabilities | 14,117,143 | 28,528 | 14,145,671 | 14,743,121 |
| Equity | 4,210,469 | 95,272 | 4,305,741 | 3,846,281 |
| Total liabilities and equity | \$ 18,327,612 | \$ 123,800 | \$ 18,451,412 | \$ 18,589,402 |
| Revenue | \$ 2,112,580 | \$ 867,038 | \$ 2,979,618 | \$ 2,778,056 |
| Expenses | 1,799,527 | 870,629 | 2,670,156 | 2,478,441 |
| Net income (loss) | \$ 313,053 | \$ (3,591) | \$ 309,462 | \$ 299,615 |

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

8. Investment in and advances to government business enterprises (continued):

The investment in and advances to government business enterprises are as follows:

| | 2017 | 2016 |
|--|------------|------------|
| <u><i>Taku Wild (see (a) below):</i></u> | | |
| Taku Wild Products Ltd.: | | |
| Investment -100% interest | \$ 128,685 | \$ 128,685 |
| Advances due from - non-interest bearing and unsecured | 10,579 | 12,335 |
| Accumulated modified equity loss | (35,794) | (40,208) |
| | 103,290 | 100,812 |
| <u><i>Atlin Power - Xeitl (see (b) below):</i></u> | | |
| Atlin Power Ltd.: | | |
| Investment -100% interest | 1 | 1 |
| Xeitl Limited Partnership: | | |
| Investment -100% interest | 1,000,010 | 1,000,010 |
| Advances due from - non-interest bearing and unsecured | 2,802,114 | 3,105,722 |
| Advances due from - FNFA loan (see note 12) | 1,808,503 | 1,880,449 |
| Advances due to - debt reserve fund (see note 7) | (103,256) | (101,846) |
| Accumulated modified equity income | 3,234,856 | 2,946,043 |
| | 8,742,227 | 8,830,378 |
| <u><i>Tlingit Homeland Energy (see (c) below):</i></u> | | |
| Tlingit Homeland Energy Ltd.: | | |
| Investment -100% interest | 1 | 1 |
| Tlingit Homeland Energy Limited Partnership: | | |
| Investment -100% interest | 150,001 | 1 |
| Advances due from - non-interest bearing and unsecured | 24,397 | 198,637 |
| Accumulated modified equity loss | (174,397) | (198,637) |
| | 1 | 1 |
| <u><i>Atlin Food Services (see (d) below):</i></u> | | |
| Atlin Food Services Limited: | | |
| Investment -100% interest | 1 | 1 |
| Accumulated modified equity income | 10,386 | 10,386 |
| | 10,387 | 10,387 |
| Carried forward | 8,855,907 | 8,941,580 |

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

8. Investment in and advances to government business enterprises (continued):

| | 2017 | 2016 |
|--|----------------|--------------|
| Brought forward | \$ 8,855,907 | \$ 8,941,580 |
| <u>Taku Holdings (see (e) below):</u> | | |
| Taku Holdings Ltd.: Investment -100% interest | 1 | 1 |
| <u>ATELP Welding Services Limited (see (f) below):</u> | | |
| ATELP Welding Services Limited: | | |
| Investment -100% interest | 1 | - |
| Advances due from - non-interest bearing and unsecured | 7,825 | - |
| <u>Accumulated modified equity loss</u> | <u>(7,825)</u> | <u>-</u> |
| | 1 | - |
| | \$ 8,855,909 | \$ 8,941,581 |

Total investment in and advances to government business enterprises are summarized as follows:

| | Hydro- electric business | Fisheries and other business | 2017 Total | 2016 Total |
|---|--------------------------------|------------------------------------|---------------|---------------|
| Total investment at proportional interest | \$ 1,150,013 | \$ 128,688 | \$ 1,278,701 | \$ 1,128,700 |
| Total accumulated modified equity income (loss) | 3,060,459 | (33,413) | 3,027,046 | 2,717,584 |
| Total equity | 4,210,472 | 95,275 | 4,305,747 | 3,846,284 |
| Advances due from | 4,531,758 | 18,404 | 4,550,162 | 5,095,297 |
| Total investment and advances to government business enterprises | \$ 8,742,230 | \$ 113,679 | \$ 8,855,909 | \$ 8,941,581 |

(a) On April 9, 2002, the First Nation formed Taku Wild Products Ltd. ("Taku Wild"). The business of Taku Wild is the commercial sale of sustainably caught, specially packaged, organically flavored wild salmon products to benefit the Taku River Tlingit and to help fund conservation efforts in the Taku River basin.

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

8. Investment in and advances to government business enterprises (continued):

- (b) On July 24, 2007, the First Nation formed Xeitl Limited Partnership ("Xeitl"). The Partnership consists of Atlin Power Ltd., as a general partner, and the First Nation as the limited partner. The principal business of Xeitl is to operate and maintain a hydro-electric generating plant located in Atlin, British Columbia. Xeitl has a 25-year electricity purchase agreement with British Columbia Hydro and Power Authority ("BC Hydro"). During the year, Xeitl's revenue was derived from a single source, BC Hydro, and as a result is dependent on the contract with BC Hydro for all its revenue. The loan from FNFA (note 12), along with the related debt reserve fund (note 7) have been loaned to Xeitl on the same terms and conditions.
- (c) On May 11, 2015, the First Nation formed Tlingit Homeland Energy Limited Partnership ("THELP"). The Partnership consists of Tlingit Homeland Energy Ltd., as a general partner, and the First Nation as the limited partner. Prior to the formation of the partnership the activities of the partnership were undertaken by the general partner and transferred to partnership upon formation. The principal business of THELP is to acquire, develop, construct, own, maintain and operate hydro-electric generation projects in Atlin, BC, connected to the Yukon Territory power grid. It is currently undertaking feasibility projects that are funded primarily through grants.
- (d) Atlin Food Services Limited ("AFSL") is a subsidiary of Atlin Tlingit Economic Limited Partnership. AFSL owned a 51% interest in Kusawa Catering Limited, a camp catering services company that was jointly controlled with an unrelated party. Under the terms of a joint venture agreement dated June 25, 2007, AFSL was entitled to a proportionate share of the catering services revenue and bears a proportional share of the related expenses. Kusawa Catering Limited was dissolved during fiscal 2016.
- (e) On February 27, 2015, the First Nation formed Taku Holdings Ltd. ("Taku Holdings"). The business of Taku Holdings is to acquire and manage residential and commercial properties and/or to acquire and develop properties to sell as residential or commercial units.
- (f) On July 22, 2016, ATELP Welding Services Limited was acquired as a subsidiary of Atlin Tlingit Economic Limited Partnership. The business of ATELP Welding Services Limited is to provide welding services for related entities of the First Nation as well as for third party customers.

9. Bank indebtedness:

The Nation has an available credit facility of \$400,000 which when drawn, bears interest at prime plus 0.5%. The facility is secured by a \$1.8 million guarantee by Xeitl which is supported by a general security agreement with a specific charge over the Energy Purchase Agreement with BC Hydro (note 8(b)), in a second priority position to Xeitl's primary lender. As at March 31, 2017, the Nation had drawn \$392,896 (2016 - \$206,173) against this facility.

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

10. Accounts payable and accrued liabilities:

| | 2017 | 2016 |
|--|---------------------|---------------------|
| Accounts payable and accrued liabilities | \$ 1,881,218 | \$ 1,849,027 |
| Payable to Tlatsini Endowment Fund (a) | 80,000 | 160,000 |
| Damage deposits | 21,298 | 20,330 |
| | <u>\$ 1,982,516</u> | <u>\$ 2,029,357</u> |

(a) The First Nation has committed to contribute \$400,000 to the Tlatsini Endowment Fund to support implementation of a Government to Government agreement with the Government of British Columbia, the Atlin Taku Land Use Plan and other stewardship initiatives. The commitment is being met through payments from Xeitl, over a five year period.

11. Deferred revenue:

| | 2017 | 2016 |
|-------------------------------------|---------------------|----------------------|
| | | (recast - note 2) |
| Indigenous and North Affairs Canada | \$ 284,944 | \$ 33,916 |
| Yukon government | 237,520 | - |
| Others | 223,436 | 9,415 |
| Big House - Heritage Center | 146,750 | 146,750 |
| 'T'Akhu A Tlen Conservancy | 131,992 | - |
| Province of British Columbia | 97,203 | - |
| New Relationship Trust | - | 25,000 |
| | <u>\$ 1,121,845</u> | <u>\$ 215,081</u> |

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

12. Debt:

| | 2017 | 2016 |
|---|-----------|-----------|
| CMHC mortgage, repayable in blended monthly instalments of \$560, including interest at 3.015%, due December 1, 2016 | \$ - | \$ 4,991 |
| CMHC mortgage, repayable in blended monthly instalments of \$1,200, including interest at 1.92%, due January 1, 2019 | 25,962 | 39,745 |
| CMHC mortgage, repayable in blended monthly instalments of \$259, including interest at 1.67%, due March 1, 2023 | 17,743 | 20,533 |
| CMHC mortgage, repayable in blended monthly instalments of \$1,681, including interest at 1.08%, due February 1, 2025 | 153,158 | 171,595 |
| CMHC mortgage, repayable in blended monthly instalments of \$1,854, including interest at 1.08%, due February 1, 2025 | 168,929 | 189,264 |
| CMHC mortgage, repayable in blended monthly instalments of \$1,629, including interest at 1.08%, due February 1, 2025 | 148,381 | 166,243 |
| CMHC mortgage, repayable in blended monthly instalments of \$1,733, including interest at 1.11%, due April 1, 2026 | 179,742 | 198,586 |
| CMHC mortgage, repayable in blended monthly instalments of \$547, including interest at 1.08%, due May 1, 2030 | 80,682 | 86,357 |
| CMHC mortgage, repayable in blended monthly instalments of \$522, including interest at 1.08%, due May 1, 2030 | 76,975 | 82,390 |
| CMHC mortgage, repayable in blended monthly instalments of \$846, including interest at 1.82%, due June 1, 2034 | 150,423 | 157,791 |
| CMHC mortgage, repayable in blended monthly instalments of \$367, including interest at 1.82%, due June 1, 2034 | 65,216 | 68,410 |
| Carried forward | 1,067,211 | 1,185,905 |

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

12. Debt (continued):

| | 2017 | 2016 |
|--|--------------|--------------|
| Brought forward | \$ 1,067,211 | \$ 1,185,905 |
| Promissory note with First Nations Finance Authority ("FNFA") made under a Borrowing Agreement between the First Nation and FNFA, on behalf of Xeitl requiring monthly blended payments of \$11,914, including interest at 3.79%, due June 26, 2024 (note 8(b)). The promissory note is unsecured. | 1,808,503 | 1,880,449 |
| Equipment financing lease, repayable in blended monthly instalments of \$2,555, including interest at 2.90%, maturing June 2018, secured by specific equipment. | 37,650 | 66,797 |
| British Columbia Treaty Commission loan, non-interest bearing, repayable on the earlier of the date the treaty is signed, or the date the Federal Minister demands repayment. The loan is unsecured. | 6,287,909 | 6,071,834 |
| | \$ 9,201,273 | \$ 9,204,985 |

The CMHC mortgages are guaranteed first by the TRTFN, then by a Ministerial Guarantee.

Principal portion of debt due within the next five years:

| | |
|------------|--------------|
| 2018 | \$ 6,429,201 |
| 2019 | 188,826 |
| 2020 | 170,427 |
| 2021 | 171,652 |
| 2022 | 171,652 |
| Thereafter | 2,069,515 |
| | \$ 9,201,273 |

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2017

13. Tangible capital assets:

| | Cost | | | Accumulated amortization | | |
|---|----------------------------------|--------------|---------------------------|----------------------------------|-------------------------|----------------------------|
| | Balance, beginning of year | Additions | Balance end of year | Balance, beginning of year | Amortization of year | Balance, end of year |
| March 31, 2017 | | | | | | 2017 Net book value |
| Buildings | \$ 5,681,852 | \$ 50,477 | \$ 5,732,329 | \$ 2,431,810 | \$ 227,404 | \$ 2,659,214 |
| Equipment | 2,485,585 | 8,686 | 2,494,271 | 2,219,041 | 226,072 | 2,445,113 |
| Fuel Station equipment | 245,107 | - | 245,107 | 127,701 | 12,858 | 140,559 |
| Houses | 5,809,596 | 454,720 | 6,264,316 | 3,219,988 | 252,312 | 3,472,300 |
| Office furniture and computer equipment | 388,289 | 9,036 | 397,325 | 359,074 | 2,101 | 361,175 |
| Roads | 2,664,445 | 48,608 | 2,713,053 | 1,544,077 | 64,329 | 1,608,406 |
| Trucks and trailers | 713,057 | 122,440 | 835,497 | 307,220 | 17,049 | 324,269 |
| Vehicles | 808,120 | 62,072 | 870,192 | 682,720 | 7,464 | 690,184 |
| Tools and miscellaneous | 16,212 | 12,500 | 28,712 | 12,476 | 203 | 12,679 |
| Water and sewer | 5,341,944 | 1,332,062 | 6,674,006 | 849,411 | 147,945 | 997,356 |
| Construction in progress | - | 363,890 | 363,890 | - | - | - |
| | \$ 24,154,207 | \$ 2,464,491 | \$ 26,618,698 | \$ 11,753,518 | \$ 957,737 | \$ 12,711,255 |
| | | | | | | \$ 13,907,443 |

| | Cost | | | Accumulated amortization | | |
|---|----------------------------------|--------------|---------------------------|----------------------------------|-------------------------|----------------------------|
| | Balance, beginning of year | Additions | Balance end of year | Balance, beginning of year | Amortization of year | Balance, end of year |
| March 31, 2016 | | | | | | 2016 Net book value |
| Buildings | \$ 5,681,852 | \$ - | \$ 5,681,852 | \$ 2,204,975 | \$ 226,835 | \$ 2,431,810 |
| Equipment | 2,345,098 | 140,487 | 2,485,585 | 1,850,061 | 368,980 | 2,219,041 |
| Fuel Station equipment | 245,107 | - | 245,107 | 114,844 | 12,857 | 127,701 |
| Houses | 5,786,550 | 23,046 | 5,809,596 | 2,977,339 | 242,649 | 3,219,988 |
| Office furniture and computer equipment | 357,536 | 30,753 | 388,289 | 357,536 | 1,538 | 359,074 |
| Roads | 2,274,445 | 390,000 | 2,664,445 | 1,539,973 | 4,104 | 1,544,077 |
| Trucks and trailers | 712,359 | 698 | 713,057 | 271,567 | 35,653 | 307,220 |
| Vehicles | 676,120 | 132,000 | 808,120 | 676,120 | 6,600 | 682,720 |
| Tools and miscellaneous | 16,212 | - | 16,212 | 11,666 | 810 | 12,476 |
| Water and sewer | 4,468,573 | 873,371 | 5,341,944 | 848,260 | 1,151 | 849,411 |
| | \$ 22,563,852 | \$ 1,590,355 | \$ 24,154,207 | \$ 10,852,341 | \$ 901,177 | \$ 11,753,518 |
| | | | | | | \$ 12,400,689 |

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2017

13. Tangible capital assets (continued):

- (a) Assets under construction:
- Assets under construction having a value of \$363,890 (2016 - nil) have not been amortized. Amortization of these assets will commence when the asset is put into service.
- (b) Write-down of tangible capital assets:
- There were nil write downs of tangible capital assets during the year (2016 - nil).
- (c) Contributed tangible capital assets:
- Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is nil (2016 - nil).
- (d) Tangible capital assets recorded at nominal values:
- Where an estimate of fair value for a contributed tangible capital asset cannot be made, the tangible capital asset is recognized at a nominal value.
- (e) Works of Art and Historical Treasures:
- The Nation manages and controls various works of art and non-operational historical cultural assets, including building, artifacts, paintings, and sculptures located at Nation sites and public display areas. The assets are not recorded as tangible capital assets and are not amortized.

14. Accumulated surplus:

| | 2017 | 2016 |
|------------------------|----------------------|----------------------|
| Operating deficit | \$ (5,955,694) | \$ (6,226,663) |
| Capital equity surplus | 12,797,164 | 11,126,599 |
| Investments surplus | 7,150,662 | 7,162,978 |
| | <u>\$ 13,992,132</u> | <u>\$ 12,062,914</u> |

(a) Operating surplus:

| | 2017 | 2016 |
|----------------------------|-----------------------|-----------------------|
| Balance, beginning of year | \$ (6,226,663) | \$ (5,859,041) |
| Annual surplus (deficit) | 1,929,218 | 988,329 |
| Transfers | (1,658,249) | (1,355,951) |
| Balance, end of year | <u>\$ (5,955,694)</u> | <u>\$ (6,226,663)</u> |

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

14. Accumulated surplus (continued):

(b) Capital equity surplus:

| | 2017 | 2016 |
|---|---------------|---------------|
| Balance, beginning of year | \$ 11,126,599 | \$ 10,138,445 |
| Additions: | | |
| Acquisition of tangible capital assets | 2,464,491 | 1,590,355 |
| Contribution to replacement reserve | (26,540) | (31,496) |
| Addition to restricted cash | 42,510 | 186,588 |
| Principal repayment of long-term debt | 147,841 | 143,884 |
| | 2,628,302 | 1,889,331 |
| Deductions: | | |
| Amortization of tangible capital assets | (957,737) | (901,177) |
| Balance, end of year | \$ 12,797,164 | \$ 11,126,599 |

(c) Investment surplus:

| | 2017 | 2016 |
|--|--------------|--------------|
| Balance, beginning of year | \$ 7,162,978 | \$ 6,795,181 |
| Additions: | | |
| Modified equity from government business enterprises | 309,462 | 299,615 |
| Additions to debt reserve fund | 1,410 | 953 |
| Principal repayment of debt | 71,946 | 69,179 |
| Repayments from government business enterprises | (395,134) | (1,950) |
| | (12,316) | 367,797 |
| Balance, end of year | \$ 7,150,662 | \$ 7,162,978 |

15. Commitments and contingencies:

(a) Operating surplus:

Surpluses in Indigenous and North Affairs Canada (“INAC”) funded programs are potentially refundable to INAC and will be recorded as liabilities if INAC requires repayment.

(b) Contingencies:

From time to time, in connection with its operations, the Nation is named as defendants in actions for damages and costs allegedly sustained by the plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, such actions have generally been resolved with minimal damages or expense in excess of amounts covered by insurance. Settlements of claims, in excess of those provided, will be accounted for as current period transactions.

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

16. Related party transactions:

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Sale of goods and services from ATELP: | | |
| Xeiti | \$ 378,127 | \$ 344,307 |
| Taku Wild | 8,759 | 207,000 |
| | <u>\$ 386,886</u> | <u>\$ 551,307</u> |
| Purchase of goods and services by ATELP: | | |
| Taku Wild | \$ 55,317 | \$ - |
| Purchase of goods and services by the Nation: | | |
| Taku Wild | \$ 9,285 | \$ 47,456 |

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

17. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

18. Segment disclosure:

The Nation provides a wide variety of services to its members. For segment disclosure, these services are grouped and reported under services areas/departments that are responsible for providing such services. They are as follows:

(a) Capital:

Responsible for the various construction projects managed by the Nation.

(b) Economic development:

Responsible for supporting economic opportunities for the Nation.

(c) Education:

Provides tuition and education support for all members, including facilitating payments for public education and support for post-secondary students based on needs. Operates and maintains day care and pre-school facilities, available to members and the community.

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

18. Segment disclosure (continued):

- (d) Fisheries:
Responsible for managing the fisheries in the Nation's traditional territory.
- (e) Governance and administration:
Oversees the general operation of the Nation as well as intergovernmental relations, policy development and legislation.
- (f) Health and social:
Provides health services and social assistance to the Nation citizens.
- (g) Lands:
Responsible for managing the lands in the Nation's traditional territory.
- (h) Operations, maintenance and housing:
Provides water, sewer, roads and housing for the Nation.
- (i) Other economic activities:
The Nation established a business company ("ATELP") to manage the Nation's business activities, including Investments in hydro-electric power generation, fisheries, and other commercial developments.

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2017

18. Segment disclosure (continued):

| Revenue | Capital | Economic Development | Education | Fisheries | Governance and Administration | Health and Social | Lands | Operations, Maintenance and Housing | Other economic activities | Consolidation Adjustment | 2017 Consolidated Total | 2016 Consolidated Total |
|--|--------------|----------------------|--------------|------------|-------------------------------|-------------------|--------------|-------------------------------------|---------------------------|--------------------------|-------------------------|-------------------------|
| Indigenous and Northern Affairs Canada | \$ 1,908,880 | \$ 71,665 | \$ 786,419 | \$ - | \$ 357,846 | \$ 192,428 | \$ 419,991 | \$ 468,085 | \$ - | \$ - | \$ 4,205,314 | \$ 4,319,772 |
| Province of British Columbia | - | - | 212,987 | - | 8,175 | 235,089 | 204,547 | - | - | - | 660,798 | 751,732 |
| Government of Canada | - | - | - | - | 11,324 | - | 59,000 | 599,226 | - | - | 669,550 | 224,493 |
| Health Canada | - | 14,344 | 78,136 | - | - | 372,526 | - | 12,105 | - | - | 477,111 | 459,900 |
| Fisheries and Oceans | - | - | - | 379,131 | - | - | - | - | - | - | 379,131 | 369,156 |
| B.C. Treaty Commission | - | - | - | - | - | - | 72,025 | - | - | - | 72,025 | 69,160 |
| Other revenue | 6,170 | 85,249 | 73,756 | 120,792 | 3,751 | 46,252 | 403,525 | 3,477 | 594,026 | - | 1,336,998 | 929,616 |
| Rental Income | - | - | - | - | 11,580 | - | - | 260,723 | - | - | 272,303 | 254,080 |
| Modified equity from government business enterprises | - | - | - | - | - | - | - | - | 309,462 | - | 309,462 | 299,613 |
| Other economic activities | - | - | - | - | - | - | - | - | 1,064,529 | - | 1,064,529 | 783,160 |
| Total before transfer to other programs | 1,915,050 | 171,258 | 1,151,298 | 499,923 | 392,676 | 846,295 | 1,159,088 | 1,343,616 | 1,968,017 | - | 9,447,221 | 8,460,682 |
| Administration fee charged to programs | - | - | - | - | 551,929 | - | - | - | - | (551,929) | - | - |
| Total revenue | \$ 1,915,050 | \$ 171,258 | \$ 1,151,298 | \$ 499,923 | \$ 944,605 | \$ 846,295 | \$ 1,159,088 | \$ 1,343,616 | \$ 1,968,017 | \$ (551,929) | \$ 9,447,221 | \$ 8,460,682 |
| Expenses | | | | | | | | | | | | |
| Wages and Benefits | 73,023 | 1,017 | 312,125 | 261,863 | 243,793 | 391,124 | 279,482 | 212,987 | 822,846 | - | 2,598,260 | 2,827,839 |
| Amortization | 701,677 | - | 41,041 | - | 41,041 | 61,562 | 41,041 | 20,521 | 50,854 | - | 957,737 | 901,177 |
| Other Expenses | 228,924 | 161,770 | 743,843 | 185,352 | 482,755 | 296,077 | 755,879 | 471,998 | 635,408 | - | 3,962,006 | 3,743,337 |
| Total before transfer to other programs | 1,003,624 | 162,787 | 1,097,009 | 447,215 | 767,589 | 748,763 | 1,076,402 | 705,506 | 1,509,108 | - | 7,518,003 | 7,472,353 |
| Administration fee charged to programs | 115,225 | 8,471 | 56,660 | 43,683 | - | 150,393 | 104,911 | 72,586 | - | (551,929) | - | - |
| Total expenses | 1,118,849 | 171,258 | 1,153,669 | 490,898 | 767,589 | 899,156 | 1,181,313 | 778,092 | 1,509,108 | (551,929) | 7,518,003 | 7,472,353 |
| Annual surplus (deficit) | \$ 796,201 | \$ - | \$ (2,371) | \$ 9,025 | \$ 177,016 | \$ (52,861) | \$ (22,225) | \$ 565,524 | \$ 458,909 | \$ - | \$ 1,929,218 | \$ 988,329 |