

Consolidated Financial Statements of

**TAKU RIVER TLINGIT
FIRST NATION**

Year ended March 31, 2018

TAKU RIVER TLINGIT FIRST NATION

Index to Consolidated Financial Statements

Year ended March 31, 2018

	Page
Management's Responsibility for Financial Reporting	1
Independent Auditors' Report	2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Net Financial Assets (Debt)	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 25

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.

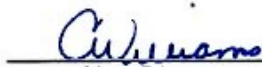
The Spokesperson and Clan Directors meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, 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:


Spokesperson


Crow Clan Director


Crow Clan Director


Wolf Clan Director


Wolf Clan Director



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Telephone (604) 527-3600
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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, 2018 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, 2017.

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

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, 2018, 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

Burnaby, Canada
May 16, 2019

TAKU RIVER TLINGIT FIRST NATION

Consolidated Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash	\$ 8,921,398	\$ 2,135,473
Accounts receivable (note 2)	142,335	499,331
Contributions receivable (note 3)	954,309	810,187
Inventory held for resale	63,924	40,054
Restricted cash (note 4)	406,906	406,608
Trust funds (note 5)	205,255	305,255
Debt reserve fund held by First Nation Finance Authority (note 6)	105,639	103,256
Investment in and advances to government business enterprises (note 7)	9,497,425	8,855,909
	20,297,191	13,156,073

Liabilities

Bank indebtedness (note 8)	52	392,896
Accounts payable and accrued liabilities (note 9)	2,988,911	1,982,516
CMHC replacement reserve (note 4)	403,597	412,026
Deferred revenue (note 10)	6,568,524	1,121,845
Debt (note 11)	9,761,814	9,201,273
	19,722,898	13,110,556

Net financial assets (debt)	\$ 574,293	\$ 45,517
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Non-Financial Assets

Tangible capital assets (note 12)	14,959,207	13,907,443
Prepaid expenses	20,246	39,172
	14,979,453	13,946,615

Commitments and contingencies (note 14)


Accumulated surplus (note 13)	\$ 15,553,746	\$ 13,992,132
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See accompanying notes to consolidated financial statements.


Approved on behalf of the Taku River Tlingit First Nation:

Spokesperson 


Crow Clan Director


Crow Clan Director


Wolf Clan Director


Wolf Clan Director

TAKU RIVER TLINGIT FIRST NATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Indigenous and Northern Affairs Canada	\$ 6,850,645	\$ 4,205,314
Province of British Columbia	774,678	660,798
Government of Canada	427,441	669,550
Health Canada	655,964	477,111
Fisheries and Oceans Canada	360,000	379,131
B.C. Treaty Commission	-	72,025
Other grant revenue	1,517,194	1,336,998
Rental income	266,781	272,303
Modified equity from government business enterprises	286,949	309,462
Other economic activities	2,392,892	1,064,529
	13,532,544	9,447,221
Expenses:		
Capital	3,929,836	1,003,624
Economic development	22,149	162,787
Education	1,188,020	1,097,009
Fisheries	510,412	447,215
Governance and administration	679,685	767,589
Health and social	984,050	748,763
Lands	1,617,687	1,076,402
Operations, maintenance and housing	706,619	705,506
Other economic activities	2,332,472	1,509,108
	11,970,930	7,518,003
Annual surplus	1,561,614	1,929,218
Accumulated surplus, beginning of year	13,992,132	12,062,914
Accumulated surplus, end of year	\$ 15,553,746	\$ 13,992,132

See accompanying notes to consolidated financial statements.

TAKU RIVER TLINGIT FIRST NATION

Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Annual surplus	\$ 1,561,614	\$ 1,929,218
Acquisition of tangible capital assets	(4,616,115)	(2,464,491)
Impairment loss	2,708,671	-
Amortization of tangible capital assets	855,680	957,737
	(1,051,764)	(1,506,754)
Acquisition of prepaid asset	39,172	26,957
Use of prepaid asset	(20,246)	(39,172)
	18,926	(12,215)
Increase in net financial assets	528,776	410,249
Net financial assets (debt), beginning of year	45,517	(364,732)
Net financial assets, end of year	\$ 574,293	\$ 45,517

See accompanying notes to consolidated financial statements.

TAKU RIVER TLINGIT FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 1,561,614	\$ 1,929,218
Items not affecting cash:		
Amortization	855,680	957,737
Impairment loss	2,708,671	-
Modified equity from government business enterprises	(286,949)	(309,462)
	4,839,016	2,577,493
Changes in non-cash operating working capital:		
Accounts receivable	356,996	(178,148)
Contributions receivable	(144,122)	75,506
Inventory held for resale	(23,870)	24,135
Prepaid expenses	18,926	(12,215)
Accounts payable and accrued liabilities	1,006,395	(46,841)
Replacement reserves	(8,429)	26,540
Deferred revenue	5,446,679	906,764
	11,491,591	3,373,234
Capital:		
Acquisition of tangible capital assets	(4,616,115)	(2,464,491)
Investing:		
Net advances to government business enterprises	(354,567)	395,134
Debt reserve fund held by First Nation Finance Authority	(2,383)	(1,410)
Decrease (increase) in trust fund	100,000	(106,169)
Increase in restricted cash	(298)	(42,510)
	(257,248)	245,045
Financing:		
Increase (decrease) in bank indebtedness	(392,844)	186,723
Repayment of long-term debt	(228,459)	(219,787)
Proceeds from long-term debt	789,000	216,075
	167,697	183,011
Increase in cash and cash equivalents	6,785,925	1,336,799
Cash and cash equivalents, beginning of year	2,135,473	798,674
Cash and cash equivalents, end of year	\$ 8,921,398	\$ 2,135,473

See accompanying notes to consolidated financial statements.

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

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, 2018

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

Xeitl 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, 2018

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, 2018

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 16).

(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. Accounts receivable:

	2018	2017
Accounts receivable	\$ 144,684	\$ 459,143
Rent receivable	284,364	292,222
Allowance for doubtful accounts	(286,713)	(252,034)
	<u>\$ 142,335</u>	<u>\$ 499,331</u>

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

3. Contributions receivable:

	2018	2017
CMHC	\$ 493,551	\$ 246,883
British Columbia Treaty Commission	136,640	136,640
Government of Yukon	120,000	242,500
Other	112,634	91,700
Fisheries and Oceans Canada	36,000	55,131
Union of BC Municipalities	34,737	-
Indigenous and Northern Affairs Canada	20,747	37,333
	\$ 954,309	\$ 810,187

4. Restricted cash:

	2018	2017
Post-1996 CMHC - replacement reserve	\$ 325,622	\$ 302,958
Pre-1997 CMHC - replacement reserve	61,216	83,582
Forest Range Opportunities (FRO) and revenue sharing	20,068	20,068
	\$ 406,906	\$ 406,608

The amount required by CMHC to be held in reserve, \$403,597 (2017 - \$412,026) is underfunded by \$16,759 (2017 - \$25,486). Subsequent to year-end the underfunded amount was transferred to the replacement reserve bank account.

5. Trust funds:

At March 31, 2018, the Government of Canada holds funds in trust on behalf of the Nation of \$205,255 (2017 - \$205,255). Additionally, in the prior year, \$100,000 was held in trust with legal counsel.

6. 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.

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

7. 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	2018 Total	2017 Total
Cash	\$ 1,228,505	\$ 61,024	\$ 1,289,529	\$ 258,218
Trade receivables	416,488	54,015	470,503	817,385
Unbilled revenue	2,325,787	-	2,325,787	2,258,797
Other assets	1,189,012	58,893	1,247,905	925,583
Property, plant and equipment	13,793,309	136,277	13,929,586	14,191,429
Total assets	\$18,953,101	\$ 310,209	\$19,263,310	\$18,451,412
Accounts payable and accrued liabilities	\$ 464,372	\$ 28,682	\$ 493,054	\$ 51,467
Due to related parties	3,126,793	108,651	3,235,444	3,175,164
Long-term debt	10,545,057	67,967	10,613,024	10,919,040
Total liabilities	14,136,222	205,300	14,341,522	14,145,671
Equity	4,816,879	104,909	4,921,788	4,305,741
Total liabilities and equity	\$18,953,101	\$ 310,209	\$19,263,310	18,451,412
Revenue	\$ 2,621,484	\$ 915,136	\$ 3,536,620	\$ 2,979,618
Expenses	2,344,171	905,500	3,249,671	2,670,156
Net income	\$ 277,313	\$ 9,636	\$ 286,949	\$ 309,462

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

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

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

	2018	2017
<u>Taku Wild (see (a) below):</u>		
Taku Wild Products Ltd.:		
Investment -100% interest	\$ 128,685	\$ 128,685
Advances due from (to) - non-interest bearing and unsecured	(7,956)	10,400
Accumulated modified equity loss	(28,266)	(35,794)
	92,463	103,291
<u>Atlin Power - Xeitl (see (b) below):</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	2,693,105	2,802,114
Advances due from - FNFA loan (see note 11)	1,733,680	1,808,503
Advances due to - debt reserve fund (see note 6)	(105,639)	(103,256)
Accumulated modified equity income	3,655,610	3,234,856
	8,976,766	8,742,227
<u>Tlingit Homeland Energy (see (c) below):</u>		
Tlingit Homeland Energy Ltd.:		
Investment -100% interest	1	1
Tlingit Homeland Energy Limited Partnership:		
Investment -100% interest	450,001	150,001
Advances due from - non-interest bearing and unsecured	176,090	24,397
Accumulated modified equity loss	(288,741)	(174,397)
	337,350	1
<u>Atlin Food Services (see (d) below):</u>		
Atlin Food Services Limited:		
Investment -100% interest	1	1
Accumulated modified equity income	10,386	10,386
	10,387	10,387
Carried forward	9,416,968	8,855,907

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

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

	2018	2017
Brought forward	\$ 9,416,968	\$ 8,855,907
<i>Taku Holdings (see (e) below):</i>		
Taku Holdings Ltd.: Investment -100% interest	1	1
<i>ATELP Welding Services Limited (see (f) below):</i>		
ATELP Welding Services Limited: Investment -100% interest	1	1
Advances due from - non-interest bearing and unsecured	86,352	7,825
Accumulated modified equity loss	(5,897)	(7,825)
	80,456	1
	\$ 9,497,425	\$ 8,855,909

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

	Hydro- electric business	Fisheries and other business	2019 Total	2018 Total
Total investment at proportional interest	\$ 1,450,013	\$ 128,688	\$ 1,578,701	\$ 1,278,698
Total accumulated modified equity income (loss)	3,366,869	(23,777)	3,343,092	3,419,002
Total equity	4,816,882	104,911	4,921,793	4,697,700
Advances due from	4,497,236	78,396	4,575,632	4,599,668
Total investment and advances to government business enterprises	\$ 9,314,118	\$ 183,307	\$ 9,497,425	\$ 9,297,368

(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, 2018

7. 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 11), along with the related debt reserve fund (note 6) 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.

8. 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 7(b)), in a second priority position to Xeitl's primary lender. As at March 31, 2018, the Nation had drawn \$52 (2017 - \$392,896) against this facility.

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

9. Accounts payable and accrued liabilities:

	2018	2017
Accounts payable and accrued liabilities	\$ 2,962,213	\$ 1,881,218
Payable to Tlatsini Endowment Fund	-	80,000
Damage deposits	26,698	21,298
	<u>\$ 2,988,911</u>	<u>\$ 1,982,516</u>

10. Deferred revenue:

	2018	2017
Indigenous and North Affairs Canada	\$ 5,615,847	\$ 284,944
Province of British Columbia	270,167	97,203
Others	189,524	223,436
Big House - Heritage Center	146,750	146,750
'T'Akhu A Tlen Conservancy	137,731	131,992
Stikine Wholistic Working Group	114,413	-
First Nation Health Authority	94,092	-
Yukon government	-	237,520
	<u>\$ 6,568,524</u>	<u>\$ 1,121,845</u>

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

11. Debt:

	2018	2017
CMHC mortgage, repayable in blended monthly instalments of \$1,200, including interest at 1.92%, due January 1, 2019	\$ 11,915	\$ 25,962
CMHC mortgage, repayable in blended monthly instalments of \$259, including interest at 1.67%, due March 1, 2023	14,886	17,743
CMHC mortgage, repayable in blended monthly instalments of \$1,681, including interest at 1.08%, due February 1, 2025	134,402	153,158
CMHC mortgage, repayable in blended monthly instalments of \$1,854, including interest at 1.08%, due February 1, 2025	148,241	168,929
CMHC mortgage, repayable in blended monthly instalments of \$1,629, including interest at 1.08%, due February 1, 2025	130,209	148,381
CMHC mortgage, repayable in blended monthly instalments of \$1,733, including interest at 1.11%, due April 1, 2026	160,676	179,742
CMHC mortgage, repayable in blended monthly instalments of \$547, including interest at 1.08%, due May 1, 2030	74,879	80,682
CMHC mortgage, repayable in blended monthly instalments of \$522, including interest at 1.08%, due May 1, 2030	71,439	76,975
CMHC mortgage, repayable in blended monthly instalments of \$846, including interest at 1.82%, due June 1, 2034	142,707	150,423
CMHC mortgage, repayable in blended monthly instalments of \$367, including interest at 1.82%, due June 1, 2034	61,871	65,216
CMHC housing loan, non-interest bearing, and no specific terms of repayment to be replaced with interest bearing term debt upon completion of the project	789,000	-
Carried forward	1,740,225	1,067,211

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

11. Debt (continued):

	2018	2017
Brought forward	\$ 1,740,225	\$ 1,067,211
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 7(b)). The promissory note is unsecured	1,733,680	1,808,503
Equipment financing lease, repayable in blended monthly instalments of \$2,555, including interest at 2.90%, fully repaid in March 2018	-	37,650
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	6,287,909
	\$ 9,761,814	\$ 9,201,273

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

Principal portion of debt due within the next five years:

2019	\$ 6,469,041
2020	170,427
2021	171,652
2022	171,652
2023	171,801
Thereafter	2,607,241
	\$ 9,761,814

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

12. Tangible capital assets:

	Cost					Accumulated amortization					2018 Net book value
	Balance, beginning of year	Additions	Impairment	Balance end of year	Balance, beginning of year	Amortization	Impairment	Balance, end of year			
March 31, 2018											
Buildings	\$ 5,732,329	\$ 293,652	\$ -	\$ 6,025,981	\$ 2,659,214	\$ 234,236	\$ -	\$ 2,893,450	\$ 3,132,531		
Equipment	2,494,271	38,704	-	2,532,975	2,445,113	70,698	-	2,515,811	17,164		
Fuel Station equipment	245,107	-	-	245,107	140,559	12,858	-	153,417	91,690		
Houses	6,264,316	789,000	-	7,053,316	3,472,300	276,096	-	3,748,396	3,304,920		
Office furniture and computer equipment	397,325	108,987	-	506,312	361,175	2,342	-	363,517	142,795		
Roads	2,713,053	-	-	2,713,053	1,608,406	64,906	-	1,673,312	1,039,741		
Trucks and trailers	835,497	193,687	-	1,029,184	324,269	22,466	-	346,735	682,449		
Vehicles	870,192	16,500	-	886,692	690,184	7,829	-	698,013	188,679		
Tools and miscellaneous	28,712	11,770	-	40,482	12,679	1,539	-	14,218	26,264		
Water and sewer	6,674,006	-	(2,205,433)	4,468,573	997,356	162,710	(85,378)	1,074,688	3,393,885		
Construction in progress	363,890	3,163,815	(588,616)	2,939,089	-	-	-	-	2,939,089		
	\$ 26,618,698	\$ 4,616,115	\$ (2,794,049)	\$ 28,440,764	\$ 12,711,255	\$ 855,680	\$ (85,378)	\$ 13,481,557	\$ 14,959,207		

	Cost				Accumulated amortization					2017 Net book value
	Balance, beginning of year	Additions	Adjustments	Balance end of year	Balance, beginning of year	Amortization	Adjustments	Balance, end of year		
March 31, 2017										
Buildings	\$ 5,681,852	\$ 50,477	\$ -	\$ 5,732,329	\$ 2,431,810	\$ 227,404	\$ -	\$ 2,659,214	\$ 3,073,115	
Equipment	2,485,585	8,686	-	2,494,271	2,219,041	226,072	-	2,445,113	49,158	
Fuel Station equipment	245,107	-	-	245,107	127,701	12,858	-	140,559	104,548	
Houses	5,809,596	454,720	-	6,264,316	3,219,988	252,312	-	3,472,300	2,792,016	
Office furniture and computer equipment	388,289	9,036	-	397,325	359,074	2,101	-	361,175	36,150	
Roads	2,664,445	48,608	-	2,713,053	1,544,077	64,329	-	1,608,406	1,104,647	
Trucks and trailers	713,057	122,440	-	835,497	307,220	17,049	-	324,269	511,228	
Vehicles	808,120	62,072	-	870,192	682,720	7,464	-	690,184	180,008	
Tools and miscellaneous	16,212	12,500	-	28,712	12,476	203	-	12,679	16,033	
Water and sewer	5,341,944	1,332,062	-	6,674,006	849,411	147,945	-	997,356	5,676,650	
Construction in progress	-	363,890	-	363,890	-	-	-	-	363,890	
	\$ 24,154,207	\$ 2,464,491	\$ -	\$ 26,618,698	\$ 11,753,518	\$ 957,737	\$ -	\$ 12,711,255	\$ 13,907,443	

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

12. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$2,939,089 (2017 - \$363,890) 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 \$2,708,671 (2017 - nil) in write downs of tangible capital assets during the year relating to the sewage lagoon project.

(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 (2017 - 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.

13. Accumulated surplus:

	2018	2017
Operating deficit	\$ (5,537,929)	\$ (5,955,694)
Capital equity surplus	13,222,291	12,797,164
Investments surplus	7,869,384	7,150,662
	<u>\$ 15,553,746</u>	<u>\$ 13,992,132</u>

(a) Operating deficit:

	2018	2017
Balance, beginning of year	\$ (5,955,694)	\$ (6,226,663)
Annual surplus	1,561,614	1,929,218
Transfers	(1,143,849)	(1,658,249)
Balance, end of year	<u>\$ (5,537,929)</u>	<u>\$ (5,955,694)</u>

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

13. Accumulated surplus (continued):

(b) Capital equity surplus:

	2018	2017
Balance, beginning of year	\$ 12,797,164	\$ 11,126,599
Additions:		
Acquisition of tangible capital assets	4,616,115	2,464,491
Impairment loss	(2,708,671)	-
Decrease (increase) to replacement reserve	8,429	(26,540)
Increase to restricted cash	298	42,510
Principal repayment of debt	153,636	147,841
Proceeds from debt	(789,000)	-
	1,280,807	2,628,302
Deductions:		
Amortization of tangible capital assets	(855,680)	(957,737)
Balance, end of year	\$ 13,222,291	\$ 12,797,164

(c) Investment surplus:

	2018	2017
Balance, beginning of year	\$ 7,150,662	\$ 7,162,978
Additions:		
Modified equity from government business enterprises	286,949	309,462
Additions to debt reserve fund	2,383	1,410
Principal repayment of debt	74,823	71,946
Payments to (from) government business enterprises	354,567	(395,134)
	718,722	(12,316)
Balance, end of year	\$ 7,869,384	\$ 7,150,662

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

14. 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.

15. Related party transactions:

	2018	2017
Sale of goods and services from ATELP:		
Xeiti Limited Partnership	\$ 296,526	\$ 378,127
Taku Wild	24,141	8,759
THELP, inclusive of management fees	197,424	226,526
Yukon Clean Energy Alliance	126,075	-
Purchase of goods and services by ATELP:		
Taku Wild	\$ 2,302	\$ 55,317
Purchase of goods and services by the Nation:		
Taku Wild	\$ 32,093	\$ 9,285
Welding Service	13,859	-

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.

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

16. 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.

(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, 2018

16. 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	2019 Consolidated Total	2018 Consolidated Total
Indigenous and Northern Affairs Canada	\$ 4,059,182	\$ 20,373	\$ 957,442	\$ -	\$ 378,081	\$ 179,068	\$ 711,676	\$ 544,823	\$ -	\$ -	\$ 6,850,644	\$ 4,205,314
Province of British Columbia	-	-	232,463	-	2,000	368,750	171,465	-	-	-	774,678	660,798
Government of Canada	22,230	-	-	-	21,000	-	214,171	170,040	-	-	427,441	669,550
Health Canada	-	-	26,926	-	-	629,038	-	-	-	-	655,964	477,111
Fisheries and Oceans	-	-	-	360,000	-	-	-	-	-	-	360,000	379,131
B.C.Treaty Commission	-	-	-	-	-	-	-	-	-	-	-	72,025
Other grant revenue	-	11,389	65,764	208,575	42,304	74,772	612,932	16,849	484,609	-	1,517,195	1,336,998
Rental Income	-	-	-	2,860	12,827	-	-	251,094	-	-	266,781	272,303
Modified equity from government business enterprises	-	-	-	-	-	-	-	-	286,949	-	286,949	309,462
Other economic activities	-	-	-	-	-	-	-	-	2,392,891	-	2,392,892	1,064,529
Total before transfer to other programs	4,081,412	31,762	1,282,595	571,435	456,212	1,251,628	1,710,244	982,806	3,164,449	-	13,532,544	9,447,221
Administration fee charged to programs	-	-	-	-	72,758	-	-	-	-	(452,772)	(380,014)	-
Total revenue	\$ 4,081,412	\$ 31,762	\$ 1,282,595	\$ 571,435	\$ 528,970	\$ 1,251,628	\$ 1,710,244	\$ 982,806	\$ 3,164,450	\$ (452,772)	\$ 13,152,530	\$ 9,447,221
Expenses												
Wages and Benefits	\$ 159,566	\$ -	\$ 231,855	\$ 262,258	\$ 296,671	\$ 462,310	\$ 419,252	\$ 174,282	\$ 885,379	\$ -	\$ 2,891,573	\$ 2,598,260
Amortization	745,777	-	7,681	-	7,683	11,521	7,681	3,840	71,497	-	855,680	957,737
Impairment of tangible capital assets	2,708,671	-	-	-	-	-	-	-	-	-	2,708,671	-
Other expenses	315,822	22,149	948,484	248,154	375,331	510,219	1,190,754	528,497	1,375,596	-	5,515,006	3,962,006
Total before transfer to other programs	3,929,836	22,149	1,188,020	510,412	679,685	984,050	1,617,687	706,619	2,332,472	-	11,970,930	7,518,003
Administration fee charged to programs	16,544	9,613	39,305	49,557	-	178,866	86,129	72,758	-	-	452,772	-
Total expenses	\$ 3,946,380	\$ 31,762	\$ 1,227,325	\$ 559,969	\$ 679,685	\$ 1,162,916	\$ 1,703,816	\$ 779,377	\$ 2,332,472	\$ -	\$ 12,423,702	\$ 7,518,003
Annual surplus (deficit)	\$ 135,032	\$ -	\$ 55,270	\$ 11,466	\$ (150,715)	\$ 88,712	\$ 6,428	\$ 203,429	\$ 831,978	\$ (452,772)	\$ 728,828	\$ 1,929,218