

Consolidated Financial Statements of

**TAKU RIVER TLINGIT
FIRST NATION**

And Independent Auditor's Report thereon

Year ended March 31, 2019

TAKU RIVER TLINGIT FIRST NATION

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Year ended March 31, 2019

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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.

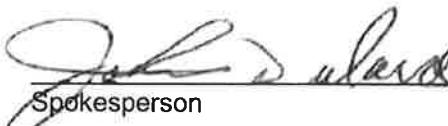
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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.

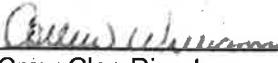
The Spokesperson and Clan Directors meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities,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

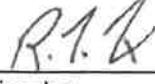
Approved on behalf of Taku River Tlingit First Nation:



Spokesperson



Crow Clan Director



Wolf Clan Director


Wolf Clan Director



Crow Clan Director



KPMG LLP
Metro Tower I
Suite 2401 - 4710 Kingsway
Burnaby BC V5H 4M2
Canada
Telephone (604) 527-3600
Fax (604) 527-3636

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Taku River Tlingit First Nation ("the Entity"), which comprise:

- the consolidated statement of financial position as at March 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, except for the effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2019, 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.

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, 2019.

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

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***Auditors' Responsibilities for the Audit of the Financial Statements*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Chartered Professional Accountants

Vancouver, Canada
October 7, 2020

TAKU RIVER TLINGIT FIRST NATION

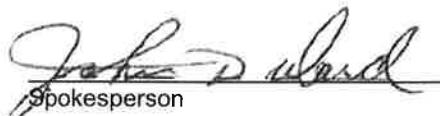
Consolidated Statement of Financial Position

March 31, 2019, with comparative information for 2018

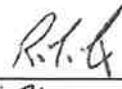
	2019	2018
Financial Assets		
Cash	\$ 4,824,390	\$ 8,921,398
Accounts receivable (note 2)	518,109	142,335
Contributions receivable (note 3)	1,145,314	954,309
Inventory held for resale	44,410	63,924
Restricted cash (note 4)	406,982	406,906
Trust funds held by Canada (note 5)	215,469	205,255
Debt reserve fund held by First Nation Finance Authority (note 6)	109,802	105,639
Investment in and advances to government business enterprises (note 7)	9,861,633	9,497,425
	17,126,109	20,297,191
Liabilities		
Bank indebtedness (note 8)	-	52
Accounts payable and accrued liabilities (note 9)	3,141,777	2,988,911
CMHC replacement reserve (note 4)	383,785	403,597
Deferred revenue (note 10)	2,804,356	6,568,524
Debt (note 11)	9,556,410	9,761,814
	15,886,328	19,722,898
Net financial assets	\$ 1,239,781	\$ 574,293
Non-Financial Assets		
Tangible capital assets (note 12)	19,503,265	14,959,207
Prepaid expenses	18,738	20,246
	19,522,003	14,979,453
Commitments and contingencies (note 14)		
Accumulated surplus (note 13)	\$ 20,761,784	\$ 15,553,746

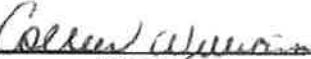
See accompanying notes to consolidated financial statements.

Approved on behalf of the Taku River Tlingit First Nation:


John Ward
Spokesperson


Shirley Rivers
Crow Clan Director


R.T.G.
Wolf Clan Director


Caren Wilson
Crow Clan Director


J. Li
Wolf Clan Director

TAKU RIVER TLINGIT FIRST NATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Indigenous and Northern Affairs Canada	\$ 8,513,689	\$ 6,850,645
Province of British Columbia	852,404	774,678
Government of Canada	705,881	427,441
Health Canada	790,515	655,964
Fisheries and Oceans Canada	417,523	360,000
B.C. Treaty Commission	55,251	-
Other grant revenue	1,572,900	1,517,194
Rental income	241,388	266,781
Modified equity from government business enterprises	314,628	286,949
Other economic activities	1,101,003	2,392,892
	14,565,182	13,532,544
Expenses:		
Capital	1,407,076	3,929,836
Economic development	-	22,149
Education	1,113,565	1,188,020
Fisheries	466,168	510,412
Governance and administration	955,566	679,685
Health and social	1,383,738	984,050
Lands	1,667,932	1,617,687
Operations, maintenance and housing	925,197	706,619
Other economic activities	1,437,902	2,332,472
	9,357,144	11,970,930
Annual surplus	5,208,038	1,561,614
Accumulated surplus, beginning of year	15,553,746	13,992,132
Accumulated surplus, end of year	\$ 20,761,784	\$ 15,553,746

See accompanying notes to consolidated financial statements.

TAKU RIVER TLINGIT FIRST NATION

Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Annual surplus	\$ 5,208,038	\$ 1,561,614
Acquisition of tangible capital assets	(5,491,239)	(4,616,115)
Impairment loss	-	2,708,671
Amortization of tangible capital assets	947,181	855,680
	663,980	509,850
Acquisition of prepaid asset	20,246	39,172
Use of prepaid asset	(18,738)	(20,246)
	1,508	18,926
Increase in net financial assets	665,488	528,776
Net financial assets, beginning of year	574,293	45,517
Net financial assets, end of year	\$ 1,239,781	\$ 574,293

See accompanying notes to consolidated financial statements.

TAKU RIVER TLINGIT FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 5,208,038	\$ 1,561,614
Items not affecting cash:		
Amortization	947,181	855,680
Impairment loss	-	2,708,671
Modified equity from government business enterprises	(314,628)	(286,949)
	5,840,591	4,839,016
Changes in non-cash operating working capital:		
Accounts receivable	(375,774)	356,996
Contributions receivable	(191,005)	(144,122)
Inventory held for resale	19,514	(23,870)
Prepaid expenses	1,508	18,926
Accounts payable and accrued liabilities	152,866	1,006,395
Replacement reserves	(19,812)	(8,429)
Deferred revenue	(3,764,168)	5,446,679
	1,663,720	11,491,591
Capital:		
Acquisition of tangible capital assets	(5,491,239)	(4,616,115)
Investing:		
Net advances to government business enterprises	(49,580)	(354,567)
Debt reserve fund held by First Nation Finance Authority	(4,163)	(2,383)
Decrease (increase) in trust fund	(10,214)	100,000
Increase in restricted cash	(76)	(298)
	(64,033)	(257,248)
Financing:		
Decrease in bank indebtedness	(52)	(392,844)
Repayment of long-term debt	(205,404)	(228,459)
Proceeds from long-term debt	-	789,000
	(205,456)	167,697
Increase (decrease) in cash and cash equivalents	(4,097,008)	6,785,925
Cash and cash equivalents, beginning of year	8,921,398	2,135,473
Cash and cash equivalents, end of year	\$ 4,824,390	\$ 8,921,398

See accompanying notes to consolidated financial statements.

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

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.
TRTFN Land Holdings Society

Atlin Tlingit Economic Limited Partnership
Taku Land Corporation

During the year, the Nation incorporated TRTFN Land Holdings Society, a government not-for-profit organization, to buy, lease, hold, build, develop and/or improve any lands and buildings to meet cultural and/or social needs.

(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 earnings 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.

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

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

(ii) Investments in government business enterprises (continued):

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

Atlin Food Services Limited
Atlin Power Ltd.
Taku Holdings Ltd.

Taku Wild Products Ltd.
Tlingit Homeland Energy Ltd.
ATELP Welding Services Ltd.

(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.

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(d) Inventory held for resale:

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

(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, sewer and geothermal	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, 2019

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 or 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 17).

(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:

	2019	2018
Accounts receivable	\$ 508,488	\$ 144,684
Rent receivable	321,137	284,364
Allowance for doubtful accounts	(311,516)	(286,713)
	<hr/>	<hr/>
	\$ 518,109	\$ 142,335

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

3. Contributions receivable:

	2019	2018
3 Nations Society (formerly Stikine Wholistic Working Group)	\$ 280,311	\$ -
Other Government of Canada departments and ministries	238,438	54,917
Government of Yukon	150,176	120,000
Ducks Unlimited	144,100	-
British Columbia Treaty Commission	136,640	136,640
T'akhu Á Tlén Conservancy	82,188	31,954
Other	64,026	96,500
Canada Mortgage and Housing Corporation ("CMHC")	49,435	493,551
Indigenous Services Canada (formerly Indigenous and Northern Affairs Canada)	-	20,747
	<hr/> \$ 1,145,314	<hr/> \$ 954,309

4. Restricted cash and CMHC replacement reserve:

	2019	2018
Post-1996 CMHC - replacement reserve	\$ 348,146	\$ 325,622
Pre-1997 CMHC - replacement reserve	38,768	61,216
Forest Range Opportunities ("FRO") and revenue sharing	20,068	20,068
	<hr/> \$ 406,982	<hr/> \$ 406,906

The amount required by Canada Mortgage and Housing Corporation ("CMHC") to be held in reserve, \$383,785 (2018 - \$403,597) is underfunded by \$35,639 (2018 - \$16,759).

5. Trust funds held by Canada:

At March 31, 2019, the Government of Canada holds funds in trust on behalf of the Nation of \$215,469 (2018 - \$205,255).

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 7(b) and 11, the Nation maintains an interest-bearing deposit of \$100,000 with FNFA as a debt reserve fund. Accrued interest at March 31, 2019 is \$9,802 (2018 - \$5,639).

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

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	2019 Total	2018 Total
Cash	\$ 1,125,147	\$ 50,105	\$ 1,175,252	\$ 1,289,529
Trade receivables	740,926	37,819	778,745	470,503
Unbilled revenue	2,341,007	-	2,341,007	2,325,787
Other assets	947,094	19,283	966,377	972,905
Due from related parties	175,603	1,632	177,235	275,000
Property, plant and equipment	13,455,136	121,488	13,576,624	13,929,586
	\$ 18,784,913	\$ 230,327	\$ 19,015,240	\$ 19,263,310
Accounts payable and accrued liabilities	\$ 287,346	\$ 29,484	\$ 316,830	\$ 493,054
Due to related parties	3,245,048	20,838	3,265,886	3,235,444
Long-term debt	10,145,251	50,864	10,196,115	10,613,024
Total liabilities	13,677,645	101,186	13,778,831	14,341,522
Equity	5,107,268	129,141	5,236,409	4,921,788
Total liabilities and equity	\$ 18,784,913	\$ 230,327	\$ 19,015,240	\$ 19,263,310
Revenue	\$ 2,778,428	\$ 623,305	\$ 3,401,733	\$ 3,536,620
Expenses	2,488,038	599,067	3,087,105	3,249,671
Net income	\$ 290,390	\$ 24,238	\$ 314,628	\$ 286,949

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

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

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

	2019	2018
<u>Taku Wild (see (a) below):</u>		
Taku Wild Products Ltd.:		
Investment - 100% interest	\$ 128,685	\$ 128,685
Advances due to - non-interest bearing and unsecured	(14,727)	(7,956)
Accumulated modified equity income (loss)	1,162	(28,266)
	<u>115,120</u>	<u>92,463</u>
<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	2,675,702	2,693,105
Advances due from - FNFA loan (see note 11)	1,655,864	1,733,680
Advances due to - debt reserve fund (see note 6)	(10,908)	(105,639)
Accumulated modified equity income	4,049,885	3,655,610
	<u>9,370,553</u>	<u>8,976,766</u>
<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	450,001
Advances due from - non-interest bearing and unsecured	288,097	176,090
Accumulated modified equity loss	(392,627)	(288,741)
	<u>345,471</u>	<u>337,350</u>
<u>Atlin Food Services (see (d) below):</u>		
Atlin Food Services Limited:		
Investment -100% interest	-	1
Accumulated modified equity income	-	10,386
	<u>-</u>	<u>10,387</u>
Carried forward	9,831,146	9,416,968

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

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

	2019	2018
Brought forward	9,831,146	9,416,968
<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	31,192	86,352
Accumulated modified equity loss	(707)	(5,897)
	30,486	80,456
	<hr/> \$ 9,861,633	<hr/> \$ 9,497,425

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	\$ 1,450,015	\$ 128,685	\$ 1,578,700	\$ 1,578,701
Total accumulated modified equity income	3,656,551	1,162	3,657,713	3,353,472
Total equity	5,106,566	129,847	5,236,413	4,932,173
Advances due from (to)	4,639,947	(14,727)	4,625,220	4,565,252
<hr/> Total investment and advances to government business enterprises	<hr/> \$ 9,746,513	<hr/> \$ 115,120	<hr/> \$ 9,861,633	<hr/> \$ 9,497,425

- (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.
- (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.

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

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

(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. During the year, the investment in AFSL was written down to nil and the amount has been determined to be unrecoverable.

(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 1.75%. 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, 2019, the Nation had drawn nil (2018 - \$52) against this facility.

9. Accounts payable and accrued liabilities:

	2019	2018
Accounts payable and accrued liabilities	\$ 3,114,442	\$ 2,962,213
Damage deposits	27,335	26,698
	<hr/> \$ 3,141,777	<hr/> \$ 2,988,911

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

10. Deferred revenue:

	2019	2018
Indigenous Services Canada (formerly Indigenous and North Affairs Canada)	\$ 882,665	\$ 5,615,847
Province of British Columbia	607,794	421,443
3 Nations Society (formerly Stikine Wholistic Working Group)	318,589	114,413
T'akhu Á Tlén Conservancy	216,245	137,731
First Nation Health Authority	193,724	94,092
British Columbia Treaty Commission	235,096	-
Big House - Heritage Centre	134,697	146,750
Other Government of Canada Ministries	81,443	-
Others	67,203	38,248
Yukon government	66,900	-
	\$ 2,804,356	\$ 6,568,524

11. Debt:

	2019	2018
CMHC mortgage, repayable in blended monthly instalments of \$1,200, including interest at 1.92%, fully repaid in January 2019.	\$ -	\$ 11,915
CMHC mortgage, repayable in blended monthly instalments of \$259, including interest at 1.67%, due March 1, 2023	12,007	14,886
CMHC mortgage, repayable in blended monthly instalments of \$1,681, including interest at 1.08%, due February 1, 2025	115,584	134,402
CMHC mortgage, repayable in blended monthly instalments of \$1,854, including interest at 1.08%, due February 1, 2025	127,486	148,241
CMHC mortgage, repayable in blended monthly instalments of \$1,629, including interest at 1.08%, due February 1, 2025	111,979	130,209
CMHC mortgage, repayable in blended monthly instalments of \$1,733, including interest at 1.11%, due April 1, 2026	141,568	160,676
CMHC mortgage, repayable in blended monthly instalments of \$547, including interest at 1.08%, due May 1, 2030	69,088	74,879
Carried forward	577,712	675,208

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

11. Debt (continued):

	2019	2018
Brought forward	577,712	675,208
CMHC mortgage, repayable in blended monthly instalments of \$522, including interest at 1.08%, due May 1, 2030	65,914	71,439
CMHC mortgage, repayable in blended monthly instalments of \$846, including interest at 1.82%, due June 1, 2034	135,085	142,707
CMHC mortgage, repayable in blended monthly instalments of \$367, including interest at 1.82%, due June 1, 2034	58,566	61,871
CMHC mortgage, repayable in blended monthly Instalments of \$3,476, including interest at 2.35% due July 1, 2043	775,360	789,000
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	1,655,864	1,733,680
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
	<hr/> \$ 9,556,410	<hr/> \$ 9,761,814

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

Principal portion of debt due within the next five years:

2020	\$ 6,469,041
2021	170,427
2022	171,652
2023	171,652
2024	171,801
Thereafter	2,401,837
	<hr/> \$ 9,556,410

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

12. Tangible capital assets:

March 31, 2018	Cost			Accumulated amortization			Balance, end of year	2018 Net book value
	Balance, beginning of year	Additions	Disposals, adjustments, and impairment	Balance, beginning of year	Amortization	Disposals, adjustments, and impairment		
Land and buildings	\$ 5,732,329	\$ 293,652	\$ -	\$ 6,025,981	\$ 2,659,654	\$ -	\$ 2,894,331	\$ 3,131,650
Equipment	2,494,271	38,704	-	2,532,975	2,246,989	36,548	2,283,537	249,438
Fuel Station equipment	245,107	-	-	140,559	12,858	-	153,417	91,690
Houses	6,264,316	789,000	-	7,053,316	3,472,303	276,096	-	3,304,917
Office furniture and computer equipment	397,325	108,987	-	506,312	360,690	1,857	-	143,765
Roads	2,713,053	-	-	2,713,053	1,664,788	64,906	-	1,729,694
Trucks and trailers	835,497	193,687	-	1,029,184	344,088	56,175	-	400,263
Vehicles	870,192	16,500	-	886,692	690,184	7,829	-	698,013
Tools and miscellaneous	28,712	11,770	-	40,482	13,164	2,024	-	188,679
Water, sewer, geothermal	6,674,006	-	(2,205,433)	4,468,573	1,118,836	162,710	(85,378)	25,294
Construction in progress	363,890	3,163,815	(588,616)	2,939,089	-	-	-	3,272,405
	\$ 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
March 31, 2019	Cost			Accumulated amortization			Balance, end of year	2019 Net book value
	Balance, beginning of year	Additions	Disposals, adjustments, and impairment	Balance, beginning of year	Amortization	Disposals, adjustments, and impairment		
Land and buildings	\$ 6,025,981	\$ 213,523	\$ -	\$ 6,239,504	\$ 2,894,331	\$ -	\$ 3,136,186	\$ 3,103,318
Equipment	2,532,975	98,977	-	2,631,952	2,283,537	37,250	-	2,320,787
Fuel Station equipment	245,107	-	-	245,107	153,417	12,858	-	166,275
Houses	7,053,316	57,159	-	7,110,475	3,748,399	295,065	-	4,043,464
Office furniture and computer equipment	506,312	-	-	506,312	362,547	2,548	-	365,095
Roads	2,713,053	3,414,249	-	6,127,302	1,729,694	129,273	-	1,858,967
Trucks and trailers	1,029,184	-	-	1,029,184	400,263	56,174	-	456,437
Vehicles	886,692	36,000	-	922,692	698,013	7,908	-	705,921
Tools and miscellaneous	40,482	-	-	40,482	15,188	1,539	-	16,727
Water, sewer, geothermal	4,468,573	1,440,849	-	5,909,422	1,196,168	162,711	-	1,358,879
Construction in progress	2,939,089	230,482	-	3,169,571	-	-	-	3,165,571
	\$ 28,440,764	\$ 5,491,239	\$ -	\$ 33,932,003	\$ 13,481,557	\$ 947,181	\$ -	\$ 14,428,738
								\$ 19,505,265

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

12. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$3,169,571 (2018 - \$2,939,089) 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 no write-downs in capital assets during 2019. There were \$2,708,671 in write downs of tangible capital assets during 2018 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 (2018 - 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:

	2019	2018
Operating deficit	\$ (5,467,612)	\$ (5,537,929)
Capital equity surplus	17,913,825	13,222,291
Investments surplus	8,315,571	7,869,384
	<hr/>	<hr/>
	\$ 20,761,784	\$ 15,553,746

(a) Operating deficit:

	2019	2018
Balance, beginning of year	\$ (5,537,929)	\$ (5,955,694)
Annual surplus	5,208,038	1,561,614
Transfers	(5,137,721)	(1,143,849)
	<hr/>	<hr/>
Balance, end of year	\$ (5,467,612)	\$ (5,537,929)

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

13. Accumulated surplus (continued):

(b) Capital equity surplus:

	2019	2018
Balance, beginning of year	\$ 13,222,291	\$ 12,797,164
Additions:		
Acquisition of tangible capital assets	5,491,239	4,616,115
Impairment loss	-	(2,708,671)
Decrease to replacement reserve	19,812	8,429
Increase to restricted cash	76	298
Principal repayment of debt	127,588	153,636
Proceeds from debt	-	(789,000)
	<u>5,638,715</u>	<u>1,280,807</u>
	<u>18,861,006</u>	<u>14,077,971</u>
Deductions:		
Amortization of tangible capital assets	(947,181)	(855,680)
Balance, end of year	\$ 17,913,825	\$ 13,222,291

(c) Investment surplus:

	2019	2018
Balance, beginning of year	\$ 7,869,384	\$ 7,150,662
Additions:		
Modified equity from government business enterprises	314,628	286,949
Additions to debt reserve fund	4,163	2,383
Principal repayment of debt	77,816	74,823
Payments to government business enterprises	49,580	354,567
	<u>446,187</u>	<u>718,722</u>
Balance, end of year	\$ 8,315,571	\$ 7,869,384

14. Commitments and contingencies:

(a) Operating surplus:

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

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

14. Commitments and contingencies (continued):

(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:

	2019	2018
Sale of goods and services from ATELP:		
Xeitl Limited Partnership	\$ 343,829	\$ 296,526
Taku Wild	5,177	24,141
THELP, inclusive of management fees	285,349	197,424
Yukon Clean Energy Alliance	46,000	126,075
Purchase of goods and services by ATELP:		
Taku Wild	\$ 72,410	\$ 2,302
Purchase of goods and services by the Nation:		
Taku Wild	\$ 33,589	\$ 32,093
ATELP 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.

16. Contractual rights:

The Nation has contracts with various ministries of the Government of Canada and the Province of British Columbia, the majority of which are determined on an annual basis. The Nation is scheduled to receive the following minimum amounts under certain of its contracts:

2020	\$ 183,983
2021	126,346
2022	72,860
2023	72,520
2024	31,642
Thereafter	9,631
	<hr/>
	\$ 496,982

TAKU RIVER TLINGIT FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

16. Contractual rights (continued):

ATELP has entered into an operating agreement with XLP to provide managerial, administrative and operational services covering all aspects of the operation and business management of XLP's hydropower plant. The contract has no set termination date and includes monthly charges of \$9,500 as well as additional costs as required.

17. 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, 2019

17. Segment disclosure (continued):

Revenue	Capital	Economic development	Education	Fisheries	Governance and administration	Health and social	Lands	Operations, maintenance and housing	Other economic activities
Indigenous and Northern Affairs Canada	\$ 5,820,562	\$ 12,310	\$ 857,768	\$ 534,727	\$ 176,958	\$ 645,974	\$ 477,700	\$ 338,670	\$ 267,312
Province of British Columbia	-	-	234,112	-	2,000	-	-	437,800	266,081
Government of Canada	26,266	-	-	-	-	764,249	-	-	-
First Nation Health Authority	-	-	-	417,523	-	-	-	-	-
Fisheries and Oceans	-	-	-	-	-	-	-	-	-
B.C. Treaty Commission	-	-	-	-	-	55,251	-	-	-
Other grant revenue	10,213	-	47,297	104,472	166,998	295,809	437,368	3,400	507,343
Rental Income	-	-	-	-	-	-	-	241,388	-
Modified equity from government business enterprises	-	-	-	-	-	-	-	-	-
Other economic activities	-	-	-	-	-	-	-	-	314,628
Total before transfer to other programs	5,857,041	12,310	1,139,177	521,995	703,725	1,575,686	1,843,705	988,569	1,922,974
Administration fee charged to programs	-	-	-	-	594,257	-	-	-	-
Total revenue	\$ 5,857,041	\$ 12,310	\$ 1,139,177	\$ 521,995	\$ 1,297,982	\$ 1,575,686	\$ 1,843,705	\$ 988,569	\$ 1,922,974
Expenses	Capital	Economic development	Education	Fisheries	Governance and administration	Health and social	Lands	Operations, maintenance and housing	Other economic activities
Wages and Benefits	\$ 152,191	\$ -	\$ 233,076	\$ 280,161	\$ 383,465	\$ 579,678	\$ 406,630	\$ 351,265	\$ 915,553
Amortization	836,371	-	7,863	-	7,863	11,794	7,863	3,931	71,496
Impairment of tangible capital assets	418,514	-	-	872,626	186,007	564,238	792,266	1,253,439	-
Other Expenses	1,407,076	-	1,113,565	466,168	955,566	1,383,738	1,667,932	570,001	450,853
Total before transfer to other programs	38,867	12,310	37,753	55,827	(9,684)	213,958	201,554	33,988	1,437,902
Administration fee charged to programs	1,178	-	-	-	-	-	6,266	2,240	-
Total expenses	\$ 1,447,121	\$ 12,310	\$ 1,151,318	\$ 521,995	\$ 945,882	\$ 1,597,696	\$ 1,875,752	\$ 961,425	\$ 1,437,902
Annual surplus (deficit)	\$ 4,409,920	\$ -	\$ (12,141)	\$ -	\$ 352,100	\$ (22,010)	\$ (32,047)	\$ 27,144	\$ 485,072

