

TAKLA LAKE FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2015

**TAKLA LAKE FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015**

INDEX

	<u>Page</u>
Management's Responsibility for the Consolidated Financial Statements	3
Independent Auditors' Report	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations	6
Consolidated Statement of Changes in Net Debt	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9 - 23
Segment Disclosure	24 - 26
Appendix A - Government Business Enterprises – Condensed Financial Information	27
Appendix B - Tangible Capital Assets	28



MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the 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 Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and are ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council 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 auditors' report.

The external auditors, Bursey Buryn, Chartered Accountants, 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 Takla Lake First Nation and meet when required.

On behalf of Takla Lake First Nation

Chief
Councillor

Sandra Dwyer
Councillor

Councillor

Naomi Abraham

INDEPENDENT AUDITORS' REPORT

To the Members of Takla Lake First Nation:

We have audited the accompanying consolidated financial statements of Takla Lake First Nation, which comprise the consolidated statement of financial position as at March 31, 2015 and the consolidated statements of operations, change in net debt, and cash flows for the year then ended, and 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 the auditors' judgement, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 Nation has investments and advances in Jaboon Holdings Ltd., Sustut Holdings Ltd., and Tse Keh Nay (A Partnership), on the statement of financial position as at March 31, 2015. We were unable to obtain sufficient appropriate audit evidence to verify the existence, completeness and valuation of the investment balances. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Takla Lake First Nation as at March 31, 2015 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

John S. Bury

Chartered Accountants
July 29, 2015
Prince George, British Columbia

TAKLA LAKE FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2015

(Notes 20 and 21)

2015

2014

FINANCIAL ASSETS

	\$ 385,446	\$ 977,918
Cash	1,249,334	225,140
Accounts receivable (Note 2)	17,760	-
Restricted cash (Note 3)	1,475,030	1,108,956
Investments in government business enterprises (Note 4)	104,000	-
Temporary investment (Note 5)	314,168	305,024
Ottawa trust assets (Note 6)	3,545,738	2,617,038

LIABILITIES

Bank indebtedness (Note 7)	181,684	287,978
Term demand loans (Note 8)	1,074,005	1,192,535
Accounts payable and accrued liabilities (Note 9)	708,520	707,185
Deferred revenue (Note 10)	212,564	166,129
Long-term debt (Note 11)	3,145,420	3,156,073
Fund reserves (Note 3)	59,915	-
	5,382,108	5,509,900
	(1,836,370)	(2,892,862)

NET DEBT

NON-FINANCIAL ASSETS

Tangible capital assets (Note 12)

14,864,887 14,903,278

\$ 13,028,517 **\$ 12,010,416**

ACCUMULATED SURPLUS

CONTINGENT LIABILITIES (Note 13)

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

Chief

Councillor

Sandra Lester

John George

Councillor

Sophia Ahola

TAKLA LAKE FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2015

(Notes 20 and 21)

	Budget	2015	2014
--	--------	------	------

REVENUE			
Aboriginal Affairs and Northern Development Canada	\$ 3,514,142	\$ 3,300,291	\$ 3,351,587
Health Canada	14,500	14,962	7,086
Canada Mortgage and Housing Corporation	46,848	115,942	8,919
Province of British Columbia	-	425,738	383,248
Interest, rent and other	944,757	469,863	380,499
Ottawa trust funds	-	9,144	13,571
Income from investments in government business enterprises	434,869	186,976	
Carrier Sekani Family Services	78,378	224,545	213,902
First Nations Education Steering Committee	116,043	116,043	25,403
Own Source	<u>1,820,190</u>	<u>2,007,074</u>	1,272,457
	<u>6,534,858</u>	<u>7,118,471</u>	<u>5,843,648</u>
EXPENDITURE			
Administration and government development	682,116	626,541	881,515
Economic development	2,746,047	1,144,906	896,142
Education	1,332,101	1,347,501	1,419,145
Employment and training	-	127,666	149,362
Health services	202,988	263,874	271,280
Housing	65,880	298,346	178,549
Public works operations and maintenance	589,530	563,924	385,907
Social and community services	525,811	776,927	554,881
Loss from investments in government business enterprises	-	229,486	133,628
Interest	77,977	82,575	234,181
Amortization	<u>25,000</u>	<u>580,236</u>	623,956
	<u>6,247,450</u>	<u>6,041,982</u>	<u>5,728,546</u>
ANNUAL SURPLUS			
ACCUMULATED SURPLUS, BEGINNING OF YEAR	\$ 287,408	1,076,489	115,102
RECOVERIES BY GOVERNMENT OF CANADA	12,010,416	12,118,608	
INCREASE IN DEFERRED REVENUE	(11,953)	(57,165)	
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 13,028,517</u>	<u>\$ 12,010,416</u>	

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

**TAKLA LAKE FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31, 2015**

(Notes 20 and 21)

	2015	2014
Annual surplus	\$ 1,076,489	\$ 115,102
Recoveries and deferred revenue increase	<u>(58,388)</u>	<u>(223,294)</u>
	<u>1,018,101</u>	<u>(108,192)</u>
Acquisition of tangible capital assets	(541,845)	(951,207)
Amortization	<u>580,236</u>	<u>623,956</u>
	<u>38,391</u>	<u>(327,251)</u>
DECREASE (INCREASE) IN NET DEBT	1,056,492	(435,443)
NET DEBT, BEGINNING OF YEAR	<u>(2,892,862)</u>	<u>(2,457,419)</u>
NET DEBT, END OF YEAR	<u><u>\$ (1,836,370)</u></u>	<u><u>\$ (2,892,862)</u></u>

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

TAKLA LAKE FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2015

(Notes 20 and 21)

2015

2014

OPERATING TRANSACTIONS

Annual surplus	\$ 1,076,489	\$ 115,102
Recoveries and deferred revenue increase	(58,388)	(223,294)
Items not involving cash		
Allocation to operations reserve	39,194	-
Allocation to replacement reserve	20,721	-
Amortization	580,236	623,956
Income - investments in government business enterprises	(434,869)	(186,976)
Loss - investments in government business enterprises	229,486	133,628
Ottawa trust funds	(9,144)	(13,570)
	1,443,725	448,846

Cash provided by (used in) operating transactions

Accounts receivable	43,854	
Accounts payable and accrued liabilities	91,763	
Deferred revenue	166,129	
	467,301	750,592

CAPITAL TRANSACTIONS

Purchase and construction of tangible capital assets

(541,845) (951,207)

FINANCING TRANSACTIONS

Proceeds of long-term debt	42,185	1,580,494
Repayment of long-term debt	(52,838)	-
Repayment of term demand loans	(118,530)	(652,264)
	(129,183)	928,230

INVESTING TRANSACTIONS

Advances to government business enterprises	(160,691)	(253,011)
Advances to restricted cash	(17,760)	-
Purchase of temporary investment	(104,000)	-
	(282,451)	(253,011)

(DECREASE) INCREASE DURING YEAR

CASH, BEGINNING OF YEAR

(486,178) 474,604

CASH, END OF YEAR

689,940 215,336

Cash, consists of:

Cash

\$ 385,446 \$ 977,918

(181,684) (287,978)

Bank indebtedness

\$ 203,762 \$ 689,940

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

**TAKLA LAKE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015**

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared 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.

Reporting Entity and Principles of Financial Reporting

The Takla Lake First Nation reporting entity includes the Takla Lake First Nation government and all related entities which are either owned or controlled by the Takla Lake First Nation.

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise or government business partnership, which are included in these consolidated financial statements on a modified equity basis. Inter-entity balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only Takla Lake First Nation's investment in the government business enterprise or government business partnership and their share of the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Takla Lake First Nation.

Takla Lake First Nation CMHC Social Housing is consolidated in Takla Lake First Nation's consolidated financial statements.

Government business enterprises which are wholly-owned by Takla Lake First Nation and which are not dependent on the Nation for their continuing operations, included in the consolidated financial statements using the modified equity method are as follows:

- Takla Development Corporation
- Takla Trading Post Ltd.

Government business enterprises not wholly-owned by Takla Lake First Nation and which are not dependent on the Nation for their continuing operations, included in the consolidated financial statements using the modified equity method are as follows:

- Jaboon Holdings Ltd. 33.3% interest
- Sustut Holdings Ltd. 33.3% interest
- Tse Keh Nay (A Partnership) 33.3% interest

Cash

Cash includes cash on hand, cash on deposit net of cheques issued and outstanding at the reporting date, and short-term deposits with maturity dates of less than 90 days.

TAKLA LAKE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Tangible Capital Assets and Amortization

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Transfers of tangible capital assets from related parties are recorded at carrying value.

Tangible capital assets are amortized using the declining balance method at rates calculated to amortize the cost less salvage value as follows:

Automotive equipment	30%
Band housing	4%
Buildings and infrastructure	4%
CMHC Social Housing	4%
Computer equipment	30%
Equipment	20%
Water plant	4%
Waste disposal system	4%

In the year of acquisition, 50% of the annual amortization is expensed. Assets under construction are not amortized until the asset is available to be put into service.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets.

Revenue and Expenditure

Revenue and expenditure are recorded using the accrual basis of accounting. Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. Gains are recognized when realized. Items not practically measurable until cash is received are accounted for at that time.

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

TAKLA LAKE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue and Expenditure, continued

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

Funding Recoveries and Reimbursements

Funding received from federal government sources in the form of conditional transfer payments are subject to recovery, by the Crown, of unexpended balances or unallowable expenses. The Crown may also reimburse over expenditures upon determining adherence to the terms and conditions of payment for a specified purpose. Recoveries and reimbursements are accounted for when they are paid or payable or received or receivable.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the impairment of assets and rates for amortization. Actual results could differ from those estimates.

Liability for Contaminated Sites

During the year the Nation adopted new accounting standard PS 3260 - Liability for Contaminated Sites, effective for years beginning on or after April 1, 2014. The standard requires the Nation to identify contaminated sites which meet the requirements of the standard, specifically those sites where:

- 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 of those benefits can be made

The Nation has elected to apply this standard prospectively. As at the date of these financial statements no contaminated sites have been identified that meet the criteria outline in the standard.

TAKLA LAKE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015

2. ACCOUNTS RECEIVABLE

	(Notes 20 and 21)	
	2015	2014
Government:		
Aboriginal Affairs and Northern Development Canada	\$ 210,571	\$ -
Canada Mortgage and Housing Corporation	62,431	8,919
Canada Revenue Agency - GST	20,455	25,651
Province of British Columbia	<u>219,926</u>	<u>-</u>
Trade		
First Nation staff		
	723,595	190,570
	<u>53,161</u>	<u>80,009</u>
	1,290,139	305,149
Less: allowance for doubtful accounts	<u>(40,805)</u>	<u>(80,009)</u>
	<u>\$ 1,249,334</u>	<u>\$ 225,140</u>

3. RESTRICTED CASH AND FUND RESERVES

	(Notes 20 and 21)	
	2015	2014
Fund reserves consist of:		
Funded replacement reserve	\$ 17,760	\$ -
Unfunded replacement reserve	2,961	-
Unfunded operations reserve	<u>39,194</u>	<u>-</u>
	<u>\$ 59,915</u>	<u>\$ -</u>

Replacement Reserve

Under the terms of the agreement with CMHC, the replacement reserve account is to be credited in the amount of \$17,760 annually plus interest; \$5,920 for Phase I operations, and \$11,840 for Phase II operations. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal. At year end the program has unfunded reserves of \$2,961 (2014 - \$Nil) and is in technical default with their agreement with CMHC.

TAKLA LAKE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015

3. RESTRICTED CASH AND FUND RESERVES, continued

Operations Reserve

Under the terms of the agreement with CMHC, after the payment of all costs and expenditures, including the allocation to the Replacement Reserve, any surplus revenue from Phase I and/or Phase II will be retained by the Program within an Operations Reserve Fund. The Program's Operations Reserve Fund may only be used for the on-going operating costs of Phase I and Phase II as committed under the 1997 On-Reserve Program. Accordingly, future years' deficits may be recovered from the Operations Reserve Fund. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as may otherwise be mutually agreed to by Takla Lake First Nation and CMHC. At year end the program has unfunded reserves of \$39,193 (2014 - \$Nil) and is in technical default with their agreement with CMHC.

4. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES

(Notes 20 and 21)

2015

2014

Modified Equity Method

Takla Development Corporation

- shares	\$ 100	\$ 100
- deficit	(872,966)	(1,307,735)
- advances to	<u>2,088,664</u>	<u>2,077,219</u>
	1,215,798	769,584

Takla Trading Post Ltd.

- shares	10	10
- deficit	(923,901)	(694,415)
- advances to	<u>790,257</u>	<u>640,911</u>
	(133,634)	(53,494)

Balance forward

\$ 1,082,164

\$ 716,090

TAKLA LAKE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015

4. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES, continued

(Notes 20 and 21)

	2015	2014
Balance forward	<u>\$ 1,082,164</u>	<u>\$ 716,090</u>
Jaboon Holdings Ltd.	<u>20,000</u>	<u>20,000</u>
Sustut Holdings Ltd.	<u>1</u>	<u>1</u>
- share	<u>333,333</u>	<u>333,333</u>
- advances to	<u>333,334</u>	<u>333,334</u>
	<u>39,532</u>	<u>39,532</u>
Tse Keh Nay (A Partnership)	<u>\$ 1,475,030</u>	<u>\$ 1,108,956</u>

Shares of the government business enterprises and government business partnerships above are held by Takla Lake First Nation, as represented by Chief and Council, on behalf of and for the benefit of the Takla Lake First Nation membership.

Takla Development Corporation is actively involved in logging and silviculture and employs members of the Nation on a regular basis. Advances due from Takla Development Corporation are unsecured, non-interest bearing with no scheduled terms of repayment.

Takla Trading Post Ltd. is activity involved in operating a grocery store. Advances due from Takla Trading Post Ltd. are unsecured, non-interest bearing with no scheduled terms of repayment.

Condensed financial information for the government business enterprises is presented in Appendix A to the financial statements.

5. TEMPORARY INVESTMENT

Temporary investment consists of a Guaranteed Investment Certificate earning interest at 0.8% per annum, due to mature on June 23, 2015.

TAKLA LAKE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015

6. OTTAWA TRUST ASSETS

	(Notes 20 and 21)		
	Revenue	Capital	Total 2015
Balance, beginning of year	\$ 217,407	\$ 87,617	\$ 305,024
Interest	7,389	-	7,389
BC Special	<u>1,755</u>	<u>-</u>	<u>1,755</u>
Balance, end of year	<u><u>\$ 226,551</u></u>	<u><u>\$ 87,617</u></u>	<u><u>\$ 314,168</u></u>
	<u><u>\$ 305,024</u></u>		

The Ottawa Trust Accounts arise from monies from capital or revenue sources as outlined in Section 62 of the "Indian Act". These funds are held in trust in the consolidated revenue fund of the Government of Canada and are subject to audit by the office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the "Indian Act".

7. BANK INDEBTEDNESS

	2015	2014
Cheques issued in excess of deposits	\$ 21,684	\$ 67,978
Line of credit	<u>160,000</u>	<u>220,000</u>

Bank indebtedness consists of cheques issued in excess of cash on hand and includes an operating line of credit authorized to \$300,000 bearing interest at bank prime plus 2.50% (March 31, 2015 - 5.35%), secured by a general security agreement.

8. TERM DEMAND LOANS

	2015	2014
	(Notes 20 and 21)	

Demand loan, repayable in monthly instalments of \$3,595 including interest at 3.15% per annum, secured by a Government of Canada ministerial guarantee, due to mature November 2, 2018

	\$ 235,480	\$ 270,621
Balance forward		

TAKLA LAKE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015

8. TERM DEMAND LOANS, continued

	2015	(Notes 20 and 21) 2014
Balance forward	\$ 235,480	\$ 270,621
Demand loan repayable in monthly instalments of \$4,622 including interest at 3.27% per annum, secured by a Government of Canada ministerial guarantee, due to mature November 2, 2018	414,393	455,603
Demand loan repayable in monthly instalments of \$4,730 including interest at 3.27% per annum, secured by a Government of Canada ministerial guarantee, due to mature November 2, 2018	424,132	466,311
	\$ 1,074,005	\$ 1,192,535

Provided the lender does not demand repayment of the loans in full, principal repayments due in each of the next five years are scheduled as follows:

	2016	\$ 122,330
2017	126,346	
2018	130,494	
2019	134,778	
2020	139,203	
		\$ 653,151

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(Notes 20 and 21)

	2015	2014
Trade payables	\$ 508,231	\$ 302,664
Accrued wages and payroll deductions payable	84,094	321,649
Pension plan contributions payable	12,559	12,872
Worksafe BC	16,931	22,987
Other accrued liabilities	86,705	47,013
	\$ 708,520	\$ 707,185

TAKLA LAKE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES, continued

The Nation began a defined contribution pension plan for eligible members of its staff on January 1, 2012. Members are required to contribute a minimum of 5% of their salary and the Nation contributes 5% of their basic salary, which contributions are directed to the member's contribution account. The amount of retirement benefit to be received by the members will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. During the year the Nation contributed \$21,120 (2014 - \$22,388) for retirement benefits.

10. DEFERRED REVENUE

(Notes 20 and 21)

	2015	2014
ACRS	\$ 33,420	\$ 33,420
Electrical Systems CPMS #3998	143,339	128,388
FNWWAP CPMS #11574	35,805	-
School Upgrades CPMS #10996	-	4,321
	\$ 212,564	\$ 166,129

The Nation has recorded the above funding as deferred revenue to be used in the completion of projects.

11. LONG-TERM DEBT

(Notes 20 and 21)

	2015	2014
Treaty Negotiation Loan, repayable upon settlement of land claim, non-interest bearing, secured by promissory notes and First Nation Negotiation Support Agreement	\$ 1,575,579	\$ 1,575,579

Mortgage repayable in monthly instalments of \$3,190 including interest at 2.08% per annum, secured by a Government of Canada ministerial guarantee, due to mature February 1, 2039

690,483

713,510

Balance forward

\$ 2,266,062

\$ 2,289,089

TAKLA LAKE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015

11. LONG-TERM DEBT, continued

	(Notes 20 and 21)	
	2015	2014
Balance forward	\$ 2,266,062	\$ 2,289,089

Mortgage repayable in monthly instalments of \$4,143 including interest at 2.08% per annum, secured by a Government of Canada ministerial guarantee, due to mature February 1, 2039

\$ 3,145,420 \$ 3,156,073

Principal repayments due in each of the next five years are scheduled as follows:

	\$ 55,901
2016	\$ 57,075
2017	58,274
2018	59,498
2019	60,747
	<u>\$ 291,495</u>

12. TANGIBLE CAPITAL ASSETS (Appendix B)

(Notes 20 and 21)

	2015	2014
	Accumulated Amortization	Net Book Value
Automotive equipment	\$ 104,288	\$ 93,409
Band housing	6,958,641	3,549,885
Buildings and infrastructure	7,153,478	3,730,461
CMHC Social Housing	2,080,583	54,434
Computer equipment	31,158	28,519
Equipment	249,816	242,814
Water plant	4,297,464	1,316,253
Waste disposal system	3,762,902	757,668
	<u>\$ 24,638,330</u>	<u>\$ 9,773,443</u>
	<u>\$ 14,864,887</u>	<u>\$ 14,903,278</u>
	<u>3,005,234</u>	<u>3,130,452</u>

TAKLA LAKE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015

13. CONTINGENT LIABILITIES

Recoveries of Government Funding

The Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

The Carrier Sekani Tribal Council has signed an agreement on behalf of its member First Nations with Canada and British Columbia. The Nation has signed a treaty loan agreement with the Carrier Sekani Tribal Council. The Loan to the Nation shall accrue interest at a rate established pursuant to the First Nation loan agreement between the Carrier Sekani Tribal Council with British Columbia. The amount of the liability for interest, if any, of the Nation is not determinable at this time.

In addition, in the normal course of its operations, the Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements.

14. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Nation participated in transactions with related parties measured at the exchange amount as determined and agreed to by the related parties.

The Nation paid expenses in the normal course of business on behalf of Takla Development Corporation in the amount of \$11,445 (2014 - \$129,435).

The Nation paid expenses in the normal course of business on behalf of Takla Trading Post Ltd. in the amount of \$149,346 (2014 - \$123,576).

15. ECONOMIC DEPENDENCE

The Nation receives a major portion of its revenue pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada. Any disruption in this funding would have a negative effect on the Nation's operations.

TAKLA LAKE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015

16. SUPPLEMENTAL CASH FLOW INFORMATION

(Notes 20 and 21)

	2015	2014
Interest paid	\$ 82,575	\$ 232,860

17. RECONCILIATION OF AANDC FUNDING AGREEMENT REVENUE

Pursuant to the instructions provided by Aboriginal Affairs and Northern Development Canada Year-End Financial Reporting Handbook for funding agreements covering fiscal period 2014-2015 for First Nations, Tribal Councils and First Nation Political Organizations, the following reconciliation has been prepared:

Recipient total as per 2014-2015 AANDC funding confirmation \$ 3,300,291

AANDC funding as per consolidated financial statements 3,300,291

Variance \$ -

18. GOVERNMENT TRANSFERS

(Notes 20 and 21)

2015

2014

	Operating	Capital	Total	Operating	Capital	Total
--	-----------	---------	-------	-----------	---------	-------

Federal government transfers:						
Aboriginal Affairs and Northern Development						
Canada	\$ 2,798,433	\$ 501,858	\$ 3,300,291	\$ 2,876,092	\$ 475,495	\$ 3,351,587
Health Canada	14,962	-	14,962	7,086	-	7,086
Canada Mortgage and Housing Corporation	<u>115,942</u>	-	<u>115,942</u>	2,919	-	2,919
Provincial Government transfers	<u>2,929,337</u>	<u>501,858</u>	<u>3,431,195</u>	<u>2,886,097</u>	<u>475,495</u>	<u>3,361,592</u>
	<u>425,738</u>	<u>-</u>	<u>425,738</u>	<u>383,248</u>	<u>-</u>	<u>383,248</u>
	<u><u>\$ 3,355,075</u></u>	<u><u>\$ 501,858</u></u>	<u><u>\$ 3,856,933</u></u>	<u><u>\$ 3,269,345</u></u>	<u><u>\$ 475,495</u></u>	<u><u>\$ 3,744,840</u></u>

TAKLA LAKE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015

19. RISK MANAGEMENT

The Nation has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include the following:

Credit Risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Nation has a history of dealing with its funding agencies and customer base and does not believe it is exposed to an unusual level of credit risk with respect to its accounts receivable.

The Nation maintains its cash and deposits with a single federally regulated Canadian financial institution, and thus has not experienced any change in risk exposure.

Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Nation's long-term debt is at fixed rates of interest therefore, a change in market interest rates has no impact to cash flows required to service this debt. The term demand loan subject to a floating rate of interest based on prime plus a margin may expose the Nation to interest rate risk due to fluctuations in the prime rate. The Nation maintains an operating line of credit subject to floating rates of interest, a change in the variable rate can impact cash flow to service the debt when such debt is outstanding. There has been no change to the risk exposure from 2014 and there is expected to be no substantive change in the next fiscal period.

20. CORRECTION OF AN ERROR

The comparative figures have been restated due to changes in amounts applicable to 2014 and prior years. The following outlines the impact of the changes to the 2014 figures.

Assets:

Investments in government business enterprises, as previously stated	\$ 3,111,096
Decrease in investments in government business enterprises	<u>(2,002,140)</u>
Investment in government business enterprises, as restated	<u>\$ 1,108,956</u>

TAKLA LAKE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015

20. CORRECTION OF AN ERROR, continued

Liabilities:	
Deferred revenue, as previously stated	\$ <u>166,129</u>
Increase in deferred revenue	
Deferred revenue, as restated	
Equity:	
Accumulated surplus, end of year, as previously stated	\$ 14,178,685
Decrease in accumulated surplus, end of year	<u>(2,168,269)</u>
Accumulated surplus, end of year, as restated	<u>\$ 12,010,416</u>

21. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of Chartered Accountants. The prior year figures have been reclassified for current year presentation and are presented for comparative purposes only.

22. MANAGEMENT ACTION PLAN

Based on the financial position of the Nation for fiscal year ended March 31, 2013, Aboriginal Affairs and Northern Development Canada (AANDC) initiated intervention requiring the Nation to implement a Management Action Plan (MAP). The MAP has been implemented by the Nation and covers the five year time period 2013-2014 through to 2017-2018.

23. SEGMENT DISCLOSURE

The Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by function and department. For each segment separately reported, the segment revenue and expenditure represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies in Note 1. The segments and services provided are as follows:

Administration and Government Development - provides governance initiatives and training through the activities of Chief and Council and administration of other activities relating to program delivery, membership and finance;

**TAKLA LAKE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015**

23. SEGMENT DISCLOSURE, continued

Economic Development - manages the development of economic opportunities from the land and natural resources for the Nation and its entities;

Education - provides elementary and secondary education instructional services and provides financial support to postsecondary students;

Employment and Training - provides training and work opportunities for Nation members to improve their job skills and participate effectively in the labour market;

Health Services - provides a variety of health care programs, services and support to Nation members;

Housing - provides housing and services to Nation members;

Public Works Operations and Maintenance - manages community and facilities operations and maintenance including capital projects, municipal services, water and waste water operations, roads, fire protection, and maintenance of community buildings;

Social and Community Services - provides programs and services for the social benefit and welfare of Nation members;

Tangible Capital Assets - provides for capital infrastructure development for Nation members.

TAKLA LAKE FIRST NATION
SEGMENT DISCLOSURE
YEAR ENDED MARCH 31, 2015

	ADMINISTRATION AND GOVERNMENT DEVELOPMENT		ECONOMIC DEVELOPMENT		EDUCATION		EMPLOYMENT AND TRAINING		HEALTH SERVICES	
	(Notes 20 and 21)		(Notes 20 and 21)		(Notes 20 and 21)		(Notes 20 and 21)		(Notes 20 and 21)	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
REVENUE										
AANDC	\$ 485,552	\$ 428,660	\$ 100,842	\$ 170,590	\$ 1,254,272	\$ 1,365,897	\$ -	\$ -	\$ -	\$ 14,962
Health Canada	-	-	-	-	-	-	-	-	-	7,086
CMHC	-	-	-	-	-	-	-	-	-	-
Province of British Columbia	-	-	329,738	378,248	-	-	96,000	5,000	-	-
Interest, rent and other	121,552	58,457	118,727	39,795	4,521	103,436	3,051	91,216	12,595	28,229
Trust funds held by federal government	-	-	-	-	-	-	-	-	-	-
Net income government business enterprises	-	-	-	-	-	-	-	-	-	-
Carrier Sekani Family Services	-	-	-	-	-	-	-	-	224,545	213,902
First Nation Education Steering Committee	-	-	-	-	116,043	25,403	-	-	-	-
Own Source	-	-	1,891,974	1,272,457	-	-	-	-	-	-
TOTAL REVENUE	607,104	487,117	2,441,281	1,861,090	1,374,836	1,494,736	99,051	96,216	252,102	249,217
EXPENDITURE										
Amortization and interest	-	-	-	-	-	-	-	-	-	-
Consulting and contract services	-	-	350,159	-	-	-	-	-	-	-
Honoraria	150	-	27,958	-	12,350	-	-	-	-	1,000
Materials and supplies	10,399	2,701	7,444	3,464	69,676	40,151	5,411	11,039	1,338	638
Professional fees	92,993	88,493	293,580	130,925	254	-	10,483	8,673	-	-
Rent	33,772	30,323	-	-	-	-	4,500	-	-	-
Telephone and utilities	31,264	22,885	8,366	534	93,776	79,742	-	-	2,620	1,511
Travel and accommodations	16,590	44,182	46,408	62,524	88,118	229,745	4,615	17,199	26,704	17,463
Wages and benefits	350,621	558,372	250,290	333,619	557,707	627,775	32,633	70,934	208,923	215,026
Workshops and training	2,522	-	25,613	375	31,761	2,519	61,868	20,415	13,900	7,547
Other	88,230	134,559	135,088	364,701	493,859	439,213	8,156	21,102	9,389	29,095
TOTAL EXPENDITURE	626,541	881,515	1,144,906	896,142	1,347,501	1,419,145	127,666	149,362	263,874	271,280
EXCESS REVENUE OVER EXPENDITURE, (EXPENDITURE OVER REVENUE)	(19,437)	(394,398)	1,296,375	964,948	27,335	75,591	(28,615)	(53,146)	(11,772)	(22,063)
TRANSFER TO TANGIBLE CAPITAL ASSETS	-	-	(20,000)	-	(9,567)	-	-	-	-	-
	\$ (19,437)	\$ (394,398)	\$ 1,276,375	\$ 964,948	\$ 17,768	\$ 75,591	\$ (28,615)	\$ (53,146)	\$ (11,772)	\$ (22,063)

TAKLA LAKE FIRST NATION
SEGMENT DISCLOSURE
YEAR ENDED MARCH 31, 2015

	HOUSING		PUBLIC WORKS		SOCIAL AND COMMUNITY SERVICES		OTHER	
	(Notes 20 and 21)		(Notes 20 and 21)		(Notes 20 and 21)		(Notes 20 and 21)	
	2015	2014	2015	2014	2015	2014	2015	2014
REVENUE								
AANDC	\$ -	\$ -	\$ 479,530	\$ 475,495	\$ 478,237	\$ 474,876	\$ -	\$ -
Health Canada	-	-	-	-	-	-	-	-
CMHC	115,942	8,919	-	-	-	-	-	-
Province of British Columbia	-	-	-	-	-	-	-	-
Interest, rent and other	158,333	52,756	-	4,679	51,084	1,931	9,144	13,571
Trust funds held by federal government	-	-	-	-	-	-	434,869	186,976
Net income government business enterprises	-	-	-	-	-	-	-	-
Carrier Sekani Family Services	-	-	-	-	-	-	-	-
First Nation Education Steering Committee	-	-	-	-	-	-	-	-
Own Source	-	-	115,100	-	-	-	-	-
TOTAL REVENUE	274,275	61,675	594,630	480,174	529,321	476,807	444,013	200,547
EXPENDITURE								
Amortization and interest	135,410	51,036	-	-	-	-	-	-
Consulting and contract services	-	-	26,988	-	-	-	-	-
Honoraria	-	-	-	-	7,900	-	-	-
Materials and supplies	-	-	58,762	985	35,924	-	-	-
Professional fees	5,000	-	200	205	-	-	-	-
Rent	5,841	-	5,825	-	-	-	-	-
Telephone and utilities	-	45,526	56,542	111,315	1,202	658	-	-
Travel and accommodations	1,847	3,495	14,165	14,094	6,186	2,742	-	-
Wages and benefits	49,428	-	228,224	193,352	211,416	90,739	-	-
Workshops and training	-	-	2,941	-	13,906	14,425	-	-
Other	236,230	78,492	170,277	65,956	500,393	446,317	229,486	133,628
TOTAL EXPENDITURE	433,756	178,549	563,924	385,907	776,927	554,881	229,486	133,628
EXCESS REVENUE OVER EXPENDITURE, (EXPENDITURE OVER REVENUE)	(159,481)	(116,874)	30,706	94,267	(247,606)	(78,074)	214,527	66,919
TRANSFER TO TANGIBLE CAPITAL ASSETS	-	-	-	-	-	-	-	-
	\$ (159,481)	\$ (116,874)	\$ 30,706	\$ 94,267	\$ (247,606)	\$ (78,074)	\$ 214,527	\$ 66,919

TAKLA LAKE FIRST NATION
SEGMENT DISCLOSURE
YEAR ENDED MARCH 31, 2015

	TANGIBLE CAPITAL ASSETS		TOTAL BEFORE ADJUSTMENTS		CONSOLIDATION ADJUSTMENTS		CONSOLIDATED TOTALS	
	(Notes 20 and 21)		(Notes 20 and 21)		(Notes 20 and 21)		(Notes 20 and 21)	
	2015	2014	2015	2014	2015	2014	2015	2014
REVENUE								
AANDC	\$ 501,858	\$ 436,069	\$ 3,300,291	\$ 3,351,587	\$ -	\$ -	\$ 3,300,291	\$ 3,351,587
Health Canada	-	-	14,962	7,086	-	-	14,962	7,086
CMHC	-	-	115,942	8,919	-	-	115,942	8,919
Province of British Columbia	-	-	425,738	383,248	-	-	425,738	383,248
Interest, rent and other	-	-	469,863	380,499	-	-	469,863	380,499
Trust funds held by federal government	-	-	9,144	13,571	-	-	9,144	13,571
Net income government business enterprises	-	-	434,869	186,976	-	-	434,869	186,976
Carrier Sekani Family Services	-	-	224,545	213,902	-	-	224,545	213,902
First Nation Education Steering Committee	-	-	116,043	25,403	-	-	116,043	25,403
Own Source	-	-	2,007,074	1,272,457	-	-	2,007,074	1,272,457
TOTAL REVENUE	501,858	436,069	7,118,471	5,843,648	-	-	7,118,471	5,843,648
EXPENDITURE								
Amortization and interest	-	623,956	135,410	674,992	527,401	234,181	662,811	909,173
Consulting and contract services	440,187	-	817,334	-	(440,187)	-	377,147	-
Honoraria	-	-	49,358	-	-	-	49,358	-
Materials and supplies	-	-	188,954	58,978	-	-	188,954	58,978
Professional fees	35,804	44,538	438,314	272,834	(35,804)	(44,538)	402,510	228,296
Rent	-	-	49,938	30,323	-	-	49,938	30,323
Telephone and utilities	-	-	193,770	262,171	-	-	193,770	262,171
Travel and accommodations	-	2,315	204,633	393,759	-	(2,315)	204,633	391,444
Wages and benefits	2,043	136,513	1,891,285	2,226,330	(2,043)	(136,513)	1,889,242	2,089,817
Workshops and training	-	-	152,511	45,281	-	-	152,511	45,281
Other	3,006	50,815	1,874,114	1,763,878	(3,006)	(50,815)	1,871,108	1,713,063
TOTAL EXPENDITURE	481,040	858,137	5,995,621	5,728,546	46,361	-	6,041,982	5,728,546
EXCESS REVENUE OVER EXPENDITURE, (EXPENDITURE OVER REVENUE)								
TRANSFER TO TANGIBLE CAPITAL ASSETS	20,818	(422,068)	1,122,850	115,102	(46,361)	-	1,076,489	115,102
	\$ 50,385	\$ (422,068)	\$ 1,122,850	\$ 115,102	\$ (46,361)	\$ -	\$ 1,076,489	\$ 115,102

TAKLA LAKE FIRST NATION
GOVERNMENT BUSINESS ENTERPRISES
CONDENSED FINANCIAL INFORMATION
YEAR ENDED MARCH 31, 2015

APPENDIX A

	[*] Tse Keh Nay (A Partnership)	[*] Jaboon Holdings Ltd.	[*] Sustut Holdings Ltd.	Takla Development Corporation	Takla Trading Post Ltd.	Total 2015	Total 2014
Assets							
Financial Assets	\$ -	\$ -	\$ -	\$ 1,490,895	\$ 97,778	\$ 1,588,673	\$ 1,279,084
Tangible Capital Assets	-	-	-	89,664	49,031	138,695	146,778
Other Assets	-	-	-	-	21,271	21,271	17,944
Total Assets	\$ -	\$ -	\$ -	\$ 1,580,559	\$ 168,080	\$ 1,748,639	\$ 1,443,806
Liabilities and Partner's Deficiency							
Liabilities	\$ -	\$ -	\$ -	\$ 364,761	\$ 45,708	\$ 410,469	\$ 432,295
Debt	-	-	-	-	-	-	-
Equity (Deficit)	-	-	-	(872,866)	(923,891)	(1,796,757)	(2,002,140)
Total Liabilities and Equity	\$ -	\$ -	\$ -	\$ (508,105)	\$ (878,183)	\$ (1,386,288)	\$ (1,569,845)
Related Party Loans							
Intercompany Loans	\$ -	\$ -	\$ -	\$ 2,088,664	\$ 1,046,263	\$ 3,134,927	\$ 3,013,651
Takla Lake First Nation Advances	-	-	-	2,088,664	790,257	2,878,921	2,813,025
Related Party Loans	\$ -	\$ -	\$ -	\$ 2,088,664	\$ 1,046,263	\$ 3,134,927	\$ 3,013,651
Revenue							
Revenue	\$ -	\$ -	\$ -	\$ 1,078,888	\$ 314,093	\$ 1,392,981	\$ 385,628
Expenses							
Expenses	-	-	-	643,445	536,070	1,179,515	1,784,028
Amortization	-	-	-	574	7,509	8,083	9,866
Total Expenses	-	-	-	644,019	543,579	1,187,598	1,793,894
Net Income (Loss)	\$ -	\$ -	\$ -	\$ 434,869	\$ (229,486)	\$ 205,383	\$ (1,408,266)

* See Basis for Qualified Opinion

TAKLA LAKE FIRST NATION
TANGIBLE CAPITAL ASSETS
YEAR ENDED MARCH 31, 2015

APPENDIX B

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE			
	Opening Balance	Additions	Disposals	Balance End of Year	Opening Balance	Amortization	Disposals	Balance End of Year	2015	2014
Automotive equipment	\$ 104,288	\$ -	\$ -	\$ 104,288	\$ 88,746	\$ 4,663	\$ -	\$ 93,409	\$ 10,879	\$ 15,542
Band housing	6,696,847	261,794	-	6,958,641	3,418,762	131,123	-	3,549,885	3,408,756	3,278,085
Buildings and infrastructure	6,904,666	248,812	-	7,153,478	3,593,260	137,201	-	3,730,461	3,423,017	3,311,406
CMHC social housing	2,049,344	31,239	-	2,080,583	1,596	52,838	-	54,434	2,026,149	2,047,748
Computer equipment	31,158	-	-	31,158	25,294	3,225	-	28,519	2,639	5,864
Equipment	249,816	-	-	249,816	241,063	1,751	-	242,814	7,002	8,753
Water plant	4,297,464	-	-	4,297,464	1,192,036	124,217	-	1,316,253	2,981,211	3,105,428
Waste disposal system	3,762,902	-	-	3,762,902	632,450	125,218	-	757,668	3,005,234	3,130,452
	\$ 24,096,485	\$ 541,845	\$ -	\$ 24,638,330	\$ 9,193,207	\$ 580,236	\$ -	\$ 9,773,443	\$ 14,864,887	\$ 14,903,278