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BRENT BURSEY & COMPANY INC.

Chartered Professional Accountants

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TAKLA LAKE FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

INDEX

#11 1839 1st Ave Prince George, BC V2L 2Y8 Phone 250.564.9321 Fax 250.564.9521

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 Chartered Professional Accountants of Canada 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 control to provide reasonable assurance that reliable financial information is produced.

The Chief and Council are responsible for ensuring that management fulfils 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, Brent Bursey & Company Inc., Chartered Professional 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

Councillor

BB BRENT BURSEY
& COMPANY INC.
Chartered Professional Accountants

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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, 2016 and the consolidated statements of operations, changes in net debt, 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 unqualified audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Takla Lake First Nation as at March 31, 2016 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.

Brent Bursey & Company Inc.

Chartered Professional Accountants
October 18, 2016
Prince George, British Columbia

TAKLA LAKE FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016

	2016	(Note 18) 2015
FINANCIAL ASSETS		
Cash	**$ 1,063,432**	$ 385,446
Accounts receivable (Note 2)	**1,071,719**	1,249,334
Restricted cash (Note 3)	**77,678**	17,760
Investments in government business entities (Note 4)	**911,577**	1,249,793
Temporary investments (Note 5)	**348,115**	104,000
Ottawa trust assets (Note 6)	**322,455**	314,168
	3,794,976	3,320,501
LIABILITIES		
Bank indebtedness	**-**	181,684
Term demand loans (Note 7)	**951,780**	1,074,005
Accounts payable and accrued liabilities (Note 8)	**681,805**	708,520
Deferred revenue (Note 9)	**128,119**	212,564
Long-term debt (Note 10)	**1,651,704**	1,569,841
Treaty loan (Note 11)	**1,575,579**	1,575,579
Fund reserves (Note 3)	**77,678**	59,915
	5,066,665	5,382,108
NET DEBT	**(1,271,689)**	(2,061,607)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)	**15,509,216**	14,864,887
Prepaid expenditure	**20,163**	-
	15,529,379	14,864,887
ACCUMULATED SURPLUS	**$ 14,257,690**	$ 12,803,280

CONTINGENT LIABILITIES (Note 13)

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

Approved on behalf of Takla Lake First Nation:

________________ Chief

________________ Councillor

________________ Councillor

TAKLA LAKE FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2016

	(Note 22) Budget	2016	(Note 18) 2015
REVENUE			
Indigenous and Northern Affairs Canada	$ 2,987,005	$ **4,258,772**	$ 3,300,291
First Nations Health Authority	12,893	**7,893**	14,962
Canada Mortgage and Housing Corporation	107,024	**107,024**	115,942
Province of British Columbia	811,799	**740,496**	425,738
Interest, rent and other	491,154	**756,736**	469,863
Ottawa trust funds	-	**8,287**	9,144
Income from investment in government entity	-	**66,183**	434,869
Carrier Sekani Organizations	521,382	**462,782**	224,545
First Nations Education Steering Committee	118,228	**118,228**	116,043
Own Source	1,832,000	**1,898,735**	2,007,074
	6,881,485	**8,425,136**	7,118,471
EXPENDITURE			
Economic development	1,731,391	**1,422,635**	1,144,906
Education	1,426,236	**1,531,059**	1,347,501
Employment and training	252,064	**257,519**	127,666
Government development and administration	789,839	**959,764**	626,541
Health services	264,675	**313,512**	263,874
Housing	136,880	**126,285**	298,346
Public works operations and maintenance	553,922	**633,964**	563,924
Social and community services	492,272	**602,165**	776,927
Loss from investments in government entities	-	**600,860**	229,486
Interest	76,728	**89,152**	82,575
Amortization	600,000	**628,707**	580,236
	6,324,007	**7,165,622**	6,041,982
ANNUAL SURPLUS	$ 557,478	**1,259,514**	1,076,489
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**12,803,280**	11,785,179
REIMBURSEMENTS (RECOVERIES) BY GOVERNMENT OF CANADA		**110,451**	(11,953)
DECREASE (INCREASE) IN DEFERRED REVENUE		**84,445**	(46,435)
ACCUMULATED SURPLUS, END OF YEAR		**$ 14,257,690**	$ 12,803,280

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, 2016

	(Note 22) Budget	2016	(Note 18) 2015
Annual surplus	$ 557,478	$ **1,259,514**	$ 1,076,489
Reimbursements (recoveries) by Government of Canada	-	**110,451**	(11,953)
Decrease (increase) in deferred revenue	-	**84,445**	(46,435)
	557,478	**1,454,410**	1,018,101
Acquisition of tangible capital assets	(1,029,363)	**(1,273,036)**	(541,845)
Amortization	600,000	**628,707**	580,236
	(429,363)	**(644,329)**	38,391
Increase in prepaid expenditure	-	**(20,163)**	-
DECREASE IN NET DEBT	$ 128,115	**789,918**	1,056,492
NET DEBT, BEGINNING OF YEAR		**(2,061,607)**	(3,118,099)
NET DEBT, END OF YEAR		**$ (1,271,689)**	$ (2,061,607)

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, 2016

	2016	(Note 18) 2015
OPERATING TRANSACTIONS		
Annual surplus	$ 1,259,514	$ 1,076,489
Reimbursements (recoveries) by Government of Canada	110,451	(11,953)
Decrease (increase) in deferred revenue	84,445	(46,435)
Items not involving cash		
Allocation to operations reserve	-	39,194
Allocation to replacement reserve	17,763	20,721
Amortization	628,707	580,236
Income from investment in government business entity	(66,183)	(434,869)
Loss from investments in government business entities	600,860	229,486
Ottawa trust assets	(8,287)	(9,144)
	2,627,270	1,443,725
Cash provided by (used in) operating transactions		
Accounts receivable	177,615	(1,024,194)
Prepaid expenditure	(20,163)	-
Accounts payable and accrued liabilities	(26,715)	1,335
Deferred revenue	(84,445)	46,435
	2,673,562	467,301
CAPITAL TRANSACTIONS		
Purchase and construction of tangible capital assets	(1,273,036)	(541,845)
FINANCING TRANSACTIONS		
Proceeds of long-term debt	138,462	42,185
Repayment of long-term debt	(56,599)	(52,838)
Repayment of term demand loans	(122,225)	(118,530)
	(40,362)	(129,183)
INVESTING TRANSACTIONS		
Advances to government business entities	(242,160)	(160,691)
Purchase of temporary investments	(244,115)	(104,000)
Withdrawals from government business entity	45,699	-
	(440,576)	(264,691)
INCREASE (DECREASE) DURING YEAR	919,588	(468,418)
CASH, BEGINNING OF YEAR	221,522	689,940
CASH, END OF YEAR	$ 1,141,110	$ 221,522
Cash, consists of:		
Cash	$ 1,063,432	$ 385,446
Restricted cash	77,678	17,760
Bank indebtedness	-	(181,684)
	$ 1,141,110	$ 221,522

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

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 Chartered Professional Accountants of Canada.

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 enterprises or government business partnerships, 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 enterprises or government business partnerships and their share of the entities net income and other changes in equity are recorded. No adjustments are made for accounting policies of the entities that are different from those of Takla Lake First Nation.

The consolidated financial statements include the following controlled entity:

- Takla Lake First Nation CMHC Social Housing

Government business entities 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 entities 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.	25% 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.

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Tangible Capital Assets

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%
Computer equipment	30%
Equipment	20%
Water plant	4%
Waste disposal system	4%

Social Housing assets acquired under CMHC sponsored housing programs are amortized at a rate equivalent to the annual principal reduction in related long-term debt.

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.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. Net write-downs are accounted for in the consolidated statement of operations and consolidated statement of changes in net debt when they occur.

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.

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue and Expenditure, continued

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.

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 specific purpose. Recoveries and reimbursements are accounted for when they are paid or payable or received or receivable.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount 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 expenditure during the reporting period. Significant areas requiring the use of management estimates relate to the impairment of assets, rates for amortization and collectability of accounts receivable. Actual results could differ from those estimates.

2. ACCOUNTS RECEIVABLE

	2016	(Note 18) 2015
Government:		
Indigenous and Northern Affairs Canada	$ 414,180	$ 210,571
Canada Mortgage and Housing Corporation	8,919	62,431
Canada Revenue Agency - GST	32,768	20,455
Province of British Columbia	58,863	219,926
	514,730	513,383
Balance forward	$ 514,730	$ 513,383

2. ACCOUNTS RECEIVABLE, continued

	2016	(Note 18) 2015
Balance forward	**$ 514,730**	$ 513,383
Trade	**541,741**	723,595
First Nation staff	**56,053**	53,161
	1,112,524	1,290,139
Less: allowance for doubtful accounts	**(40,805)**	(40,805)
	$ 1,071,719	$ 1,249,334

3. RESTRICTED CASH AND FUND RESERVES

	2016	(Note 18) 2015
Fund reserves consist of:		
Funded replacement reserve	**$ 38,485**	$ 17,760
Unfunded replacement reserve	**-**	2,961
Funded operations reserve	**39,193**	-
Unfunded operations reserve	**-**	39,194
	$ 77,678	$ 59,915

Replacement Reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Nation must set aside funds 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 NIL (2015 - $2,961) and is in compliance with their agreement with CMHC.

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 NIL (2015 - $39,194) and is in compliance with their agreement with CMHC.

4. INVESTMENTS IN GOVERNMENT BUSINESS ENTITIES

	2016	(Note 18) 2015
Takla Development Corporation		
- shares	$ **100**	$ 100
- deficit	**(1,339,715)**	(872,966)
- advances to	**2,117,548**	2,088,664
	777,933	1,215,798
Takla Trading Post Ltd.		
- shares	**10**	10
- deficit	**(1,055,444)**	(923,901)
- advances to	**1,003,533**	790,257
	(51,901)	(133,634)
Jaboon Holdings Ltd.		
- shares	**32,197**	32,197
- deficit	**(26,553)**	(24,186)
	5,644	8,011
Balance forward	$ **731,676**	$ 1,090,175

4. INVESTMENTS IN GOVERNMENT BUSINESS ENTITIES, continued

	2016	(Note 18) 2015
Balance forward	**$ 731,676**	$ 1,090,175
Sustut Holdings Ltd.		
- share	**1**	1
- equity	**150,204**	150,405
	150,205	150,406
Tse Keh Nay (A Partnership)		
- partners' capital	**29,696**	9,212
	$ 911,577	$ 1,249,793

Shares and partnership units 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 actively 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 entities is presented in Appendix A to the financial statements.

5. TEMPORARY INVESTMENTS

Temporary investments consists of a Special Trust Guaranteed Investment Certificate due to mature in October, 2016 and money held in a pooled trust account. Stewardship of temporary investments rests with Woodward & Co. Lawyers LLP.

6. OTTAWA TRUST ASSETS

	Revenue	Capital	Total 2016	(Note 18) Total 2015
Balance, beginning of year	$ 226,551	$ 87,617	$ 314,168	$ 305,024
Interest	6,501	-	6,501	7,389
BC Special	1,786	-	1,786	1,755
Balance, end of year	$ 234,838	$ 87,617	$ 322,455	$ 314,168

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. TERM DEMAND LOANS

	2016	(Note 18) 2015
Term 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 2018	$ 199,259	$ 235,480
Term 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 2018	371,890	414,393
Term 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 2018	380,631	424,132
	$ 951,780	$ 1,074,005

7. TERM DEMAND LOANS, continued

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:

2017	$ 126,343
2018	130,490
2019	134,774
2020	139,199
2021	143,769
	$ 674,575

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	(Note 18) 2015
Trade payables	$ **437,592**	$ 508,231
Accrued wages and payroll deductions payable	**140,785**	84,094
Pension plan contributions payable	**8,344**	12,559
Worksafe BC	**-**	16,931
INAC recoveries	**34,197**	-
Other accrued liabilities	**60,887**	86,705
	$ **681,805**	$ 708,520

The Nation has a defined contribution pension plan for eligible members of its staff. 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 $20,476 (2015 - $21,120) for retirement benefits.

9. DEFERRED REVENUE

	2016	(Note 18) 2015
School Upgrades CPMS #10996	$ **128,119**	$ -
ACRS	**-**	33,420
Electrical Systems CPMS #3998	**-**	143,339
FNWWAP CPMS #11574	**-**	35,805
	$ **128,119**	$ 212,564

9. DEFERRED REVENUE, continued

The Nation has recorded the above surplus as deferred revenue to be used in project completion.

10. LONG-TERM DEBT

	2016	(Note 18) 2015
Mortgage repayable in monthly instalments of $3,190 including interest at 2.08% per annum, secured by a Government of Canada ministerial guarantee, due to mature February 2039	**$ 697,870**	$ 690,483
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 2039	**906,354**	879,358
Term loan, repayable in monthly instalments of $552 including interest at 3.25% per annum, secured by tangible capital assets with a net book value of $50,647, due to mature September 2020	**47,480**	-
	$ 1,651,704	$ 1,569,841

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

2017	$ 60,309
2018	61,637
2019	62,996
2020	64,385
2021	65,805
	$ 315,132

11. TREATY LOAN

Treaty loan is an Indigenous and Northern Affairs Canada promissory note representing advances for negotiations with the British Columbia Treaty Commission. Repayment provisions for this loan are outlined in the Negotiation Support Agreement. The loan is non-interest bearing and will be repayable over a 10 year period after the signing of the Final Agreement between Takla Lake First Nation, the Government of Canada and the Government of British Columbia.

12. TANGIBLE CAPITAL ASSETS (Appendix B)

			2016	(Note 18) 2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Automotive equipment	$ 153,488	$ 104,053	$ 49,435	$ 10,879
Band housing	7,044,744	3,689,679	3,355,065	3,408,756
Buildings and infrastructure	8,222,492	3,912,343	4,310,149	3,423,017
CMHC Social Housing	2,149,302	108,512	2,040,790	2,026,149
Computer equipment	31,158	29,970	1,188	2,639
Equipment	249,816	244,215	5,601	7,002
Water plant	4,297,464	1,435,501	2,861,963	2,981,211
Waste disposal system	3,762,902	877,877	2,885,025	3,005,234
	$ 25,911,366	$ 10,402,150	$ 15,509,216	$ 14,864,887

13. CONTINGENT LIABILITIES

Takla Lake First Nation has entered into contribution agreements with various government agencies. Funding received under these contribution agreements is subject to repayment if the 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 and 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, Takla Lake First Nation may become 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 $3,308 (2015 - $11,445).

The Nation paid expenses in the normal course of business on behalf of Takla Trading Post Ltd. in the amount of $76,544 (2015 - $149,346).

15. ECONOMIC DEPENDENCE

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

16. RECONCILIATION OF INAC FUNDING AGREEMENT REVENUE

Pursuant to the Indigenous and Northern Affairs Canada Financial Reporting Requirements for fiscal period 2015-2016, the following reconciliation has been prepared:

Recipient total as per 2015-2016 INAC funding confirmation	**$ 4,258,772**
Variance	**-**
Recipient total as per consolidated financial statements	**$ 4,258,772**

17. GOVERNMENT TRANSFERS

	2016			(Note 18) 2015		
	Operating	**Capital**	**Total**	Operating	Capital	Total
Federal government transfers:						
Indigenous and Northern Affairs Canada	**$ 3,101,000**	**$ 1,157,772**	**$ 4,258,772**	$ 2,798,433	$ 501,858	$ 3,300,291
First Nations Health Authority	**7,893**	**-**	**7,893**	14,962	-	14,962
Environment and Natural Resources Canada	**32,727**	**-**	**32,727**	-	-	-
Canada Mortgage and Housing Corporation	**107,024**	**-**	**107,024**	115,942	-	115,942
	3,248,644	**1,157,772**	**4,406,416**	2,929,337	501,858	3,431,195
Provincial Government transfers	**740,496**	**-**	**740,496**	425,738	-	425,738
	$ 3,989,140	**$ 1,157,772**	**$ 5,146,912**	$ 3,355,075	$ 501,858	$ 3,856,933

18. CORRECTION OF AN ERROR

The comparative figures have been restated to reflect information about the government business entities that was previously not available regarding 2015 and prior years. The following outlines the impact of the changes to the 2015 figures:

Assets	
Investments in government business entities, as previously stated	$ 1,475,030
Decrease in investments in government business entities	(225,237)
Investments in government business entities, as restated	$ 1,249,793
Equity	
Accumulated surplus, end of year, as previously stated	$ 13,028,517
Decrease in accumulated surplus, end of year	(225,237)
Accumulated surplus, end of year, as restated	$ 12,803,280

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.

19. RISK MANAGEMENT, continued

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 2015 and there is expected to be no substantive change in the next fiscal period.

20. MANAGEMENT ACTION PLAN

Based on the financial position of the Nation for fiscal year ended March 31, 2013, Indigenous and Northern Affairs Canada (INAC) 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 period ending March 31, 2018.

21. 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:

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 post secondary students;

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

21. SEGMENT DISCLOSURE, continued

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

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;

Other - Ottawa trust assets and government business entities provide programs and services for the social, economic and capital needs of Nation members;

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

22. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been approved by the Chief and Council.

TAKLA LAKE FIRST NATION

SEGMENT DISCLOSURE
YEAR ENDED MARCH 31, 2016

	ECONOMIC DEVELOPMENT			EDUCATION			EMPLOYMENT AND TRAINING			GOVERNMENT DEVELOPMENT AND ADMINISTRATION			HEALTH SERVICES		
	Budget	2016	2015	Budget	2016	2015	Budget	2016	2015	Budget	2016	2015	Budget	2016	2015
REVENUE															
Indigenous and Northern Affairs Canada	$ 91,811	$ 91,811	$ 100,842	$ 1,308,008	$ 1,308,008	$ 1,254,272	$ -	$ -	$ -	$ 553,524	$ 517,890	$ 485,552	$ -	$ -	$ -
First Nations Health Authority	-	-	-	-	-	-	-	-	-	-	-	-	12,893	7,893	14,962
Canada Mortgage and Housing Corporation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Province of British Columbia	590,049	580,746	329,738	-	-	-	144,750	144,750	96,000	-	-	-	15,000	15,000	-
Interest, rent and other	73,000	102,050	118,727	-	6,001	4,521	101,814	106,948	3,051	191,960	415,117	121,552	-	6,746	12,595
Trust funds held by federal government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income from government business entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrier Sekani Family Services	298,100	239,500	-	-	-	-	-	-	-	-	-	-	223,282	223,282	224,545
First Nation Education Steering Committee	-	-	-	118,228.00	118,228	116,043	-	-	-	-	-	-	-	-	-
Own Source	1,894,000	1,762,305	1,891,974	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUE	2,946,960	2,776,412	2,441,281	1,426,236	1,432,237	1,374,836	246,564	251,698	99,051	745,484	933,007	607,104	251,175	252,921	252,102
EXPENDITURE															
Amortization and interest	-	241	-	-	-	-	-	-	-		19,043	-	-	-	-
Consulting and contract services	43,000	149,111	350,159	-	600	-	-	-	-		-	-	-	-	-
Honoraria	218,600	3,407	27,958	7,000	7,135	12,350	500	502	-	1,945	1,482	150	1,000	1,000	1,000
Materials and supplies	25,500	39,830	7,444	-	81,562	69,676	3,000	3,437	5,411	3,158	56,194	10,399	3,000	13,715	1,338
Meetings	30,500	34,797	-	63,719	-	-	-	-	-	-	64,568	-	8,000	11,687	-
Professional fees	653,311	389,616	293,580	2,700	9,064	254	10,750	12,315	10,483	116,023	125,491	92,993	2,500	1,133	-
Rent	-	-	-	-	-	-	-	-	4,500	35,461	45,268	33,772	1,500	1,500	-
Telephone and utilities	580	1,329	8,366	55,335	76,395	93,776	-	-	-	39,808	29,690	31,264	3,000	2,021	2,620
Travel and accommodations	371,500	72,838	46,408	92,294	85,320	88,118	42,814	46,906	4,615	25,148	14,295	16,590	17,300	37,465	26,704
Wages and benefits	40,000	320,512	250,290	627,781	620,312	557,707	60,000	61,767	32,633	491,290	558,669	350,621	207,782	222,561	208,923
Workshops and training	-	20	25,613	9,301	10,221	31,761	130,000	127,592	61,868	-	25,568	2,522	7,093	6,276	13,900
Other	348,400	411,175	135,088	568,106	640,450	493,859	5,000	5,000	8,156	77,006	38,539	88,230	13,500	16,154	9,389
TOTAL EXPENDITURE	1,731,391	1,422,876	1,144,906	1,426,236	1,531,059	1,347,501	252,064	257,519	127,666	789,839	978,807	626,541	264,675	313,512	263,874
EXCESS REVENUE OVER EXPENDITURE, (EXPENDITURE OVER REVENUE)	1,215,569	1,353,536	1,296,375	-	(98,822)	27,335	(5,500)	(5,821)	(28,615)	(44,355)	(45,800)	(19,437)	(13,500)	(60,591)	(11,772)
TRANSFER TO TANGIBLE CAPITAL ASSETS	-	(54,478)	(20,000)	-	-	(9,567)	-	-	-	-	-	-	-	-	-
	$ 1,215,569	$ 1,299,058	$ 1,276,375	$ -	$ (98,822)	$ 17,768	$ (5,500)	$ (5,821)	$ (28,615)	$ (44,355)	$ (45,800)	$ (19,437)	$ (13,500)	$ (60,591)	$ (11,772)

TAKLA LAKE FIRST NATION
SEGMENT DISCLOSURE
YEAR ENDED MARCH 31, 2016

	HOUSING			PUBLIC WORKS OPERATIONS AND MAINTENANCE			SOCIAL AND COMMUNITY SERVICES			OTHER		
	Budget	2016	2015	Budget	2016	2015	Budget	2016	2015	Budget	2016	2015
REVENUE												
Indigenous and Northern Affairs Canada	$ -	$ -	$ -	$ 541,390	$ 522,367	$ 479,530	$ 492,272	$ 660,924	$ 478,237	$ -	$ -	$ -
First Nations Health Authority	-	-	-	-	-	-	-	-	-	-	-	-
Canada Mortgage Housing Corporation	107,024	107,024	115,942	-	-	-	-	-	-	-	-	-
Province of British Columbia	-	-	-	-	-	-	-	-	-	-	-	-
Interest, rent and other	111,848	87,042	158,333	12,532	32,832	-	-	-	51,084	-	-	-
Trust funds held by federal government	-	-	-	-	-	-	-	-	-	-	8,287	9,144
Net income government business enterprises	-	-	-	-	-	-	-	-	-	-	66,183	434,869
Carrier Sekani Family Services	-	-	-	-	-	-	-	-	-	-	-	-
First Nation Education Steering Committee	-	-	-	-	-	-	-	-	-	-	-	-
Own Source	-	-	-	-	136,430	115,100	-	-	-	-	-	-
TOTAL REVENUE	218,872	194,066	274,275	553,922	691,629	594,630	492,272	660,924	529,321	-	74,470	444,013
EXPENDITURE												
Amortization and interest	127,992	123,946	135,410	-	-	-	-	-	-	-	-	-
Consulting and contract services	-	-	-	13,000	13,577	26,988	-	-	-	-	-	-
Honoraria	-	-	-	-	-	-	3,000	-	7,900	-	-	-
Materials and supplies	-	-	-	16,500	12,694	58,762	9,180	30,644	35,924	-	-	-
Meetings	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees	4,200	5,200	5,000	5,000	4,235	200	-	-	-	-	-	-
Rent	7,500	-	5,841	6,116	-	5,825	-	-	-	-	-	-
Telephone and utilities	7,360	15,199	-	61,953	59,296	56,542	-	1,376	1,202	-	-	-
Travel and accommodations	-	4,071	1,847	15,000	12,710	14,165	-	9,115	6,186	-	-	-
Wages and benefits	15,000	10,367	49,428	294,253	336,159	228,224	12,385	137,079	211,416	-	-	-
Workshops and training	-	-	-	3,500	2,238	2,941	-	13,066	13,906	-	-	-
Other	102,820	91,448	236,230	138,600	193,055	170,277	467,707	410,885	500,393	-	600,860	231,263
TOTAL EXPENDITURE	264,872	250,231	433,756	553,922	633,964	563,924	492,272	602,165	776,927	-	600,860	231,263
EXCESS REVENUE OVER EXPENDITURE, (EXPENDITURE OVER REVENUE)	(46,000)	(56,165)	(159,481)	-	57,665	30,706	-	58,759	(247,606)	-	(526,390)	212,750
TRANSFER TO TANGIBLE CAPITAL ASSETS	-	-	-	-	-	-	-	-	-	-	-	-
	$ (46,000)	$ (56,165)	$ (159,481)	$ -	$ 57,665	$ 30,706	$ -	$ 58,759	$ (247,606)	$ -	$ (526,390)	$ 212,750

TAKLA LAKE FIRST NATION
SEGMENT DISCLOSURE
YEAR ENDED MARCH 31, 2016

	TANGIBLE CAPITAL ASSETS			TOTAL BEFORE ADJUSTMENTS			CONSOLIDATION ADJUSTMENTS			CONSOLIDATED TOTALS		
	Budget	2016	2015	Budget	2016	2015	Budget	2016	2015	Budget	2016	2015
REVENUE												
Indigenous and Northern Affairs Canada	$ -	$ 1,157,772	$ 501,858	$ 2,987,005	$ 4,258,772	$ 3,300,291	$ -	$ -	$ -	$ 2,987,005	$ 4,258,772	$ 3,300,291
First Nations Health Authority	-	-	-	12,893	7,893	14,962	-	-	-	12,893	7,893	14,962
Canadian Mortgage and Housing Corporation	-	-	-	107,024	107,024	115,942	-	-	-	107,024	107,024	115,942
Province of British Columbia	-	-	-	749,799	740,496	425,738	-	-	-	749,799	740,496	425,738
Interest, rent and other	-	-	-	491,154	756,736	469,863	-	-	-	491,154	756,736	469,863
Trust funds held by federal government	-	-	-	-	8,287	9,144	-	-	-	-	8,287	9,144
Net income government business enterprises	-	-	-	-	66,183	434,869	-	-	-	-	66,183	434,869
Carrier Sekani Family Services	-	-	-	521,382	462,782	224,545	-	-	-	521,382	462,782	224,545
First Nation Education Steering Committee	-	-	-	118,228	118,228	116,043	-	-	-	118,228	118,228	116,043
Own Source	-	-	-	1,894,000	1,898,735	2,007,074	-	-	-	1,894,000	1,898,735	2,007,074
TOTAL REVENUE	-	1,157,772	501,858	6,881,485	8,425,136	7,118,471	-	-	-	6,881,485	8,425,136	7,118,471
EXPENDITURE												
Amortization and interest	-	-	-	127,992	143,230	135,410	548,736	574,629	527,401	676,728	717,859	662,811
Consulting and contract services	-	1,004,804	440,187	56,000	1,168,092	817,334	-	(1,004,804)	(440,187)	56,000	163,288	377,147
Honoraria	-	-	-	232,045	13,526	49,358	-	-	-	232,045	13,526	49,358
Materials and supplies	-	169	-	60,338	238,245	188,954	-	(169)	-	60,338	238,076	188,954
Meetings	-	-	-	102,219	111,052	-	-	-	-	102,219	111,052	-
Professional fees	57,986	57,986	35,804	852,470	605,040	438,314	(57,986)	(57,986)	(35,804)	794,484	547,054	402,510
Rent	15,000	15,000	-	65,577	61,768	49,938	(15,000)	(15,000)	-	50,577	46,768	49,938
Telephone and utilities	-	290	-	168,036	185,596	193,770	-	(290)	-	168,036	185,306	193,770
Travel and accommodations	540	1,016	-	564,596	283,736	204,633	(540)	(1,016)	-	564,056	282,720	204,633
Wages and benefits	7,600	7,600	2,043	1,756,091	2,275,026	1,891,285	(7,600)	(7,600)	(2,043)	1,748,491	2,267,426	1,889,242
Workshops and training	-	-	-	149,894	184,981	152,511	-	-	-	149,894	184,981	152,511
Other	948,237	15,494	3,006	2,669,376	2,423,060	1,875,891	(948,237)	(15,494)	(3,006)	1,721,139	2,407,566	1,872,885
TOTAL EXPENDITURE	1,029,363	1,102,359	481,040	6,804,634	7,693,352	5,997,398	(480,627)	(527,730)	46,361	6,324,007	7,165,622	6,043,759
EXCESS REVENUE OVER EXPENDITURE	(1,029,363)	55,413	20,818	76,851	731,784	1,121,073	480,627	527,730	(46,361)	557,478	1,259,514	1,074,712
TRANSFER TO TANGIBLE CAPITAL ASSETS	-	54,478	29,567	-	-	-	-	-	-	-	-	-
	$ (1,029,363)	$ 109,891	$ 50,385	$ 76,851	$ 731,784	$ 1,121,073	$ 480,627	$ 527,730	$ (46,361)	$ 557,478	$ 1,259,514	$ 1,074,712

TAKLA LAKE FIRST NATION
GOVERNMENT BUSINESS ENTITIES
CONDENSED FINANCIAL INFORMATION
YEAR ENDED MARCH 31, 2016

APPENDIX A

	Tse Keh Nay (A Partnership)	Jaboon Holdings Ltd.	Sustut Holdings Ltd.	Takla Development Corporation	Takla Trading Post Ltd.	Total 2016	Total 2015
Assets							
Financial Assets	$ 101,217	$ 2,128	$ 139,341	$ 964,306	$ 155,794	$ **1,362,786**	$ 1,588,673
Tangible Capital Assets	-	183,189	-	100,382	43,023	**326,594**	138,695
Related party advances	-	-	376,723	-	-	**376,723**	-
Other Assets	-	-	-	-	-	**-**	21,271
Total Assets	$ 101,217	$ 185,317	$ 516,064	$ 1,064,688	$ 198,817	$ **2,066,103**	$ 1,748,639
Liabilities and Partners' Equity (Deficiency)							
Liabilities	$ 10,004	$ 15,311	$ 9,250	$ 281,627	$ 4,094	$ **320,286**	$ 410,469
Debt	-	32,678	-	5,127	-	**37,805**	-
Related party advances	271	114,752	56,200	-	246,624	**417,847**	256,006
Takla Lake First Nation advances	-	-	-	2,117,549	1,003,533	**3,121,082**	2,878,921
Equity (Deficit)	90,942	22,576	450,614	(1,339,615)	(1,055,434)	**(1,830,917)**	(1,796,757)
Total Liabilities and Equity	$ 101,217	$ 185,317	$ 516,064	$ 1,064,688	$ 198,817	$ **2,066,103**	$ 1,748,639
Revenue	$ 315,554	$ 8,415	$ -	$ 980,238	$ 200,762	$ **1,504,969**	$ 1,424,335
Expenses	117,004	12,451	605	1,444,905	326,297	**1,901,262**	1,217,767
Amortization	-	5,431	-	2,082	6,008	**13,521**	8,083
Total Expenses	117,004	17,882	605	1,446,987	332,305	**1,914,783**	1,187,598
Net Income (Loss)	$ 198,550	$ (9,467)	$ (605)	$ (466,749)	$ (131,543)	$ **(409,814)**	$ 198,485
Takla Lake First Nation Portion of Income (Loss)	$ 66,183	$ (2,367)	$ (202)	$ (466,749)	$ (131,543)	$ **(534,678)**	$ 203,606

TAKLA LAKE FIRST NATION
TANGIBLE CAPITAL ASSETS
YEAR ENDED MARCH 31, 2016

APPENDIX B

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE
	Opening Balance	Additions	Disposals	Balance End of Year	Opening Balance	Amortization	Disposals	Balance End of Year	2016
Automotive equipment	$ 104,288	$ 49,200	$ -	$ 153,488	$ 93,409	$ 10,644	$ -	$ 104,053	$ 49,435
Band housing	6,958,641	86,103	-	7,044,744	3,549,885	139,794	-	3,689,679	3,355,065
Buildings and infrastructure	7,153,478	1,069,014	-	8,222,492	3,730,461	181,882	-	3,912,343	4,310,149
CMHC social housing	2,080,583	68,719	-	2,149,302	54,434	54,078	-	108,512	2,040,790
Computer equipment	31,158	-	-	31,158	28,519	1,451	-	29,970	1,188
Equipment	249,816	-	-	249,816	242,814	1,401	-	244,215	5,601
Water plant	4,297,464	-	-	4,297,464	1,316,253	119,248	-	1,435,501	2,861,963
Waste disposal system	3,762,902	-	-	3,762,902	757,668	120,209	-	877,877	2,885,025
	$ 24,638,330	$ 1,273,036	$ -	$ 25,911,366	$ 9,773,443	$ 628,707	$ -	$ 10,402,150	$ 15,509,216

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