

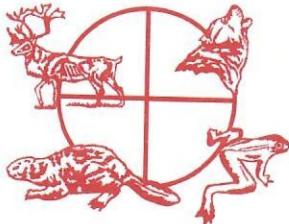
TL'AZT'EN NATION
FINANCIAL STATEMENTS

March 31, 2019

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TL'AZT'EN NATION
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Phone 250-648-3212 • Fax 250-648-3250



March 31, 2019

**MANAGEMENT'S RESPONSIBILITY FOR
FINANCIAL REPORTING**

The accompanying financial statements of the Tl'azt'en Nation and all the information in this report are the responsibility of the Nation's management and have been approved by Chief and Council on behalf of the Nation.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable costs. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Nation's assets are appropriately accounted for and adequately safeguarded.

The Nation's Council is responsible for ensuring management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Chief and Council review the Nation's financial statements and recommend their approval. 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 annual report, the financial statements and the external auditor's report. The Chief and Council take this information into consideration when approving the financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.

The financial statements have been audited by MNP LLP in accordance with Canadian generally accepted auditing standards on behalf of the Members. MNP LLP has full and free access to the Nation's Council.

B John Chief

Ynn M Finance Director

Independent Auditor's Report

To the Chief and Council and Members of
Tl'azt'en Nation

Qualified Opinion

We have audited the financial statements of Tl'azt'en Nation (the "Nation"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Nation as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Qualified Opinion

The Nation's share of the assets, liabilities, revenues and expenses related to its investment in Tache Enterprises Limited Partnership, which are required to be accounted for using the consolidation method, have been excluded from the financial statements of the Nation as at March 31, 2018 and March 31, 2019. We were unable to gather sufficient appropriate audit evidence relating to these amounts as at the date of these financial statements. Details of the unaudited financial statement results provided by management have been reported in Note 22 of these financial statements. Our audit opinion for the year ended March 31, 2018 was also qualified for this matter.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Nation 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 opinion.

Other Matter

The financial statements of Tl'azt'en Nation for the year ended March 31, 2018, were audited by Deloitte LLP of Prince George, BC, Canada, who expressed an unmodified opinion on those statements on January 23, 2019.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, 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 Nation'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 Nation or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 Nation'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 Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Nation 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization 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.

We 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.

MNP LLP

Chartered Professional Accountants

Prince George, British Columbia

October 8, 2019

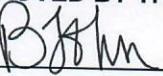
TL'AZT'EN NATION
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
year ended March 31, 2019

	Note	2019 Budget	2019 Actual	2018 Actual
		\$	\$	\$
Revenues	2			
Operations Fund				
Indigenous Services Canada		4,000,426	11,330,951	10,011,663
First Nation Health Authority		1,688,006	2,219,443	2,335,752
Canada Mortgage and Housing Corporation		-	236,451	98,264
Other federal government funding		216,000	281,111	242,268
Provincial government funding		-	1,755,954	5,345,103
First Nations Associations		653,342	1,302,933	1,078,722
Private funding agencies		-	343,400	-
Rentals and user fees		-	538,375	583,026
Services and product sales		-	77,209	129,534
Miscellaneous income		1,248,925	259,807	414,412
Equity earnings from business enterprises		-	-	1,135,072
Ottawa Trust earnings		-	124,067	148,711
		7,806,699	18,469,701	21,522,527
Expenditures	19			
Administration		425,077	1,339,722	1,106,670
Housing operations		-	1,107,018	826,503
Health services		2,005,022	2,383,812	2,588,333
Natural resources		280,782	1,048,562	1,606,863
Economic development		-	58,474	86,119
Education		2,995,222	5,662,185	4,129,312
Social development		1,161,562	1,227,692	1,080,826
Infrastructure		937,460	2,272,589	2,380,269
Capital projects		-	136,774	194,941
Equity loss from business enterprises		-	49,756	-
Impairment allowance		-	-	555,000
		7,805,125	15,286,584	14,554,836
Annual surplus		1,574	3,183,117	6,967,691
Accumulated surplus, beginning of year		18,191,628	18,191,628	11,399,778
Program recovery, net		-	(80,769)	(175,841)
Accumulated surplus, end of year	16	18,193,202	21,293,976	18,191,628

TL'AZT'EN NATION
STATEMENT OF FINANCIAL POSITION
as at March 31, 2019

	Note	2019	2018
		\$	\$
Financial assets			
Cash and cash equivalents	3	3,440,771	3,306,796
Accounts receivable	4	3,325,416	453,764
Portfolio investments	5	3,940,261	6,862,962
Investment and advances	6	798,820	1,043,035
		11,505,268	11,666,557
Liabilities			
Accounts payable and accrued liabilities	10	1,267,636	1,318,551
Deferred revenue	11	2,652,374	2,661,628
Long-term debt	12	3,511,877	3,923,265
Reserves	13	200,562	200,562
		7,632,449	8,104,006
Net financial assets		3,872,819	3,562,551
Commitments and contingencies	17		
Non-financial assets			
Tangible capital assets	14	17,265,661	14,456,747
Prepaid expenses		155,496	172,330
		17,421,157	14,629,077
Accumulated surplus	16	21,293,976	18,191,628

APPROVED BY THE COUNCIL

 CHIEF
 COUNCILLOR

The accompanying notes are an integral part of the financial statements.

TL'AZT'EN NATION
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
year ended March 31, 2019

	Note	2019 Budget	2019 Actual	2018 Actual
		\$	\$	\$
Annual surplus		1,574	3,183,117	6,967,691
Acquisition of tangible capital assets	18	-	(4,351,596)	(2,822,344)
Amortization of tangible capital assets		-	1,542,682	1,417,240
Program reimbursement, net		-	(80,769)	(175,841)
Increase in prepaid expense		-	16,834	(35,649)
Increase in net assets		1,574	310,268	5,351,097
Net financial assets (debt), beginning of year		3,562,551	3,562,551	(1,788,546)
Net assets, end of year		3,564,125	3,872,819	3,562,551

The accompanying notes are an integral part of the financial statements.

TL'AZT'EN NATION
STATEMENT OF CASH FLOWS
year ended March 31, 2019

	Note	2019	2018
		\$	\$
Cash flows from operating activities			
Annual surplus		3,183,117	6,967,691
Net program reimbursement		(80,769)	(175,841)
Items not involving the outlay of funds			
Amortization		1,542,682	1,417,240
Bad debts		-	555,000
Equity losses (earnings) from business enterprises		49,756	(1,135,072)
		4,694,786	7,629,018
Net change in operating working capital			
Accounts receivable		(2,871,652)	(40,502)
Prepaid expenses		16,834	(35,649)
Accounts payable and accrued liabilities		(50,915)	557,472
Deferred revenue		(9,254)	(10,842)
		1,779,799	8,099,497
Financing activity			
Repayment of long-term debt		(411,388)	(470,442)
Investing activities			
Acquisition of investments in Gwaii Trust Society		68,873	(19,428)
Acquisition of term deposits		-	(4,970,307)
Redemption of term deposits		2,853,828	-
Advances to related parties		-	(555,000)
Proceeds on windup of investments		194,459	-
		3,117,160	(5,544,735)
Capital activity			
Acquisition of tangible capital assets	18	(4,351,596)	(2,650,174)
Net change in cash and cash equivalents		133,975	(565,854)
Cash and cash equivalents, beginning of year		3,306,796	3,872,650
Cash and cash equivalents, end of year		3,440,771	3,306,796

The accompanying notes are an integral part of the financial statements.

TL'AZT'EN NATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2019

1. Basis of presentation and significant accounting policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards, and include the following significant accounting policies:

Fund accounting

Tl'azt'en Nation (the "Nation") uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the financial statements. The Nation maintains the following funds:

- The Operations Fund, which reports the general activities of the Nation's administration.
- The Social Housing Fund, which reports the general activities of the Nation's social housing programs.
- The Ottawa Trust Fund, which reports on trust funds owned by the Nation and held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.
- The Enterprise Fund, which includes the Nation's investments in and advances to corporate enterprise activities.

Reporting entity and principles of financial reporting

The Tl'azt'en Nation reporting entity includes the Nation government and all related entities which are accountable to the Nation Council and are either owned or controlled by the Nation.

Government business entities and government business partnerships, which are owned by the Nation, or are controlled by the Nation Council, and which are not dependent on the Nation for their continuing operations, are included in the financial statements using the modified equity method, whereby the investment was initially recorded at cost and adjusted to recognize the Nation's share of earnings or losses, and reduced by distributions received. The business entity's accounting principles are not adjusted to conform to those of the Nation.

Government business entities and government business partnerships accounted for using the modified equity method include:

Government business enterprises

- Tanizul Timber Ltd.
- Jaboond Holdings Ltd.
- NTT Holdings Ltd.
- N & T Lakes Contracting Ltd.

Government business partnerships

- NTT Nations Limited Partnership

Entities which are not controlled or jointly controlled are accounted for at cost. These include:

- Sustut Holdings Ltd.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that can be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services and may be consumed in normal operations. Non-financial assets include tangible capital assets and prepaid expenses.

TL'AZT'EN NATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2019

1. Basis of presentation and significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and short-term money market instruments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to the acquisition, construction, development or betterment of the assets, less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the assets. See below for amortization rates of specific asset categories:

Buildings, water and sewage and electrification	20 to 25 years
Housing	25 to 40 years
Roads	20 years
Equipment	10 years
Vehicles	5 years
Computer equipment and software	3 years

Impairment of long-lived assets

The Nation periodically reviews the useful lives and the carrying values of its long-lived assets for continued appropriateness. The Nation reviews for impairment of long-lived assets (or asset groups) to be held and used whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying amount, it is considered to be impaired. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value. When quoted market prices are not available, the Nation uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Revenue recognition

i) Government funding

The Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

ii) First Nation Capital and Revenue Trust Funds

The Nation recognizes revenue of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

iii) Canada Mortgage and Housing Corporation ("CMHC")

CMHC revenue is recognized as it becomes receivable under the terms of the applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the statement of financial position in the year of receipt.

iv) Housing rental income

Rental revenue is recorded in the year it is earned. At the end of each year, management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

TL'AZT'EN NATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2019

1. Basis of presentation and significant accounting policies (continued)

Revenue recognition (continued)

v) Other revenue

Other revenue is recognized when performance is completed, amounts are measurable and collection is reasonably assured.

Income tax status

Income earned by the Nation is exempt from income taxes under Income Tax Act sections 149(1)(c) and (d.5).

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 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 expenses during the reporting period. Significant items subject to such estimates and assumptions include the useful lives and potential impairment of tangible capital assets, valuation of allowances for trade receivables and investments and advances, liability for contaminated sites, and contingent liabilities. Actual results could differ from those estimates.

Contaminated sites

The Nation records a liability for the remediation of contaminated sites when an environmental standard exists, contamination exceeds the environmental standard, the Nation is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The Nation has not identified any contaminated sites which meet these criteria.

Budget information

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

Adoption of new accounting standards

Effective April 1, 2018, the Nation adopted the recommendations relating to *PS 3420 Restructuring Transactions* as set out in the CPA Canada Public Sector Accounting Handbook. The main features of this standard are as follows:

- A restructuring transaction is defined as a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities that does not involve an exchange of consideration.
- Individual assets and liabilities transferred in a restructuring transaction are derecognized by the transferor at their carrying amount and recognized by the recipient at their carrying amount with applicable adjustments.

There was no material impact on the financial statements as a result of adopting this new standard.

2. Economic dependence

The Nation receives a major portion of its revenue pursuant to funding arrangements with Indigenous Services Canada. The Nation's ability to operate certain programs depends on continuation of this funding.

TL'AZT'EN NATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2019

3. Cash and cash equivalents

	2 0 1 9	2 0 1 8
	\$	\$
Unrestricted		
Operations Fund	23,996	(219,063)
Restricted		
Operations Fund		
Trust funds	315,163	383,663
Social Housing		
CMHC replacement reserve	615,602	784,763
CMHC operating reserve	262,246	257,736
	877,848	1,042,499
Ottawa Trust Fund		
Ottawa Trust capital account	154,536	154,536
Ottawa Trust revenue account	2,069,228	1,945,161
	2,223,764	2,099,697
Total cash and cash equivalents	3,440,771	3,306,796

4. Accounts receivable

	2 0 1 9	2 0 1 8
	\$	\$
Operations Fund		
Canada Revenue Agency - GST	14,522	12,340
Indigenous Services Canada	1,670,807	71,514
First Nations Funding Agencies	307,305	101,207
First Nations Health Authority	22,515	19,240
Prince George Nchako Aboriginal Employment and Training Association	361,402	-
Miscellaneous receivables	792,915	208,105
Rent receivable - band owned housing	834,531	700,360
Rent receivable - social housing	572,656	536,273
Due from Nation members and employees	283,181	230,593
	4,859,834	1,879,632
Less: Allowance for doubtful accounts	(1,601,120)	(1,434,070)
	3,258,714	445,562
Social Housing Fund		
Canada Mortgage and Housing Corporation	66,702	8,202
Total accounts receivable	3,325,416	453,764

5. Portfolio investments

	2 0 1 9	2 0 1 8
	\$	\$
Portfolio investments held with Gwaii Trust Society, at cost	317,143	386,016
Term deposits held with Integris Credit Union, at cost	3,623,118	6,476,946
Total	3,940,261	6,862,962

TL'AZT'EN NATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2019

6. Investments and advances

Investments and advances to commercial and other operations are summarized as follows:

	2 0 1 9	2 0 1 8
	\$	\$
Government business enterprises (Note 6(a))	798,794	1,037,204
Government business partnerships (Note 6(b))	-	1,000
Other (Note 6(c))	26	4,831
	798,820	1,043,035

(a) Government business enterprises

The Nation has made investment in and loans and advances to incorporated entities, summarized as follows:

	Ownership %	2 0 1 9	2 0 1 8
	\$	\$	\$
Jaboon Holdings Ltd.	25.00		
Investment in shares, at cost		-	32,197
Share of loss			
Balance, beginning of year		(24,229)	(22,812)
Loss		(23)	(1,417)
Distributed on windup		24,252	
Balance, end of year		-	(24,229)
		-	7,968
N&T Lakes Contracting Ltd.	50.00		
Investment in shares, at cost		-	2
Share of loss			
Balance, beginning of year		(788)	(790)
Distributed on windup		788	
Balance, end of year		-	(790)
		-	(788)
NTT Holdings Ltd.	33.33		
Investment in shares, at cost		-	2
Share of loss			
Balance, beginning of year		(1,832)	(1,834)
Distributed on windup		1,832	
Balance, end of year		-	(1,834)
		-	(1,832)
Tanizul Timber Ltd.	100.00		
Investment in shares, at cost		7	7
Share of loss			
Balance, beginning of year		1,031,849	(104,640)
(Loss) earnings		(233,062)	1,136,489
Balance, end of year		798,787	1,031,849
		798,794	1,031,856
		798,794	1,037,204

TL'AZT'EN NATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2019

6. Investments and advances (continued)

(b) Government business partnerships

The Nation has a 33.33% investment in the following entities:

	Ownership %	2 0 1 9 \$	2 0 1 8 \$
NTT Nations Limited Partnership units	33.33		
Investment in units, at cost		-	1,000

(c) Other

The Nation has made investments in and advances to entities that are not accountable to and neither owned nor controlled by the Nation, as follows:

	2 0 1 9 \$	2 0 1 8 \$
Investment in Integris Credit Union - equity shares, at cost	26	26
Investment in Sustut Holdings Ltd., at cost, net of allowance ¹	-	4,805
	26	4,831

¹ Due to the limited information available for Sustut Holdings Ltd. this investment was recorded at cost.

Combined financial information for the government business enterprises is summarized as follows:

Statement of financial position

Assets	2,124,903	2,124,903
Liabilities	1,863,793	2,145,983
Equity	261,110	(21,080)
Results of operations		
Revenue	-	2,517,825
Expense	233,152	1,385,925
Net earnings (loss)	(233,152)	1,131,900

TL'AZT'EN NATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2019

7. Related party balances and transactions

Chuzghun Resources Corporation is a society over which the Nation is able to exercise significant influence by way of their representation on the Board of Directors.

Tanizul Timber Ltd., a Company that is owned 100% by Tl'azt'en Nation, paid the Nation \$29,020 (2018 - \$33,079) in other miscellaneous revenue during the year.

8. Funds on deposit - Indigenous Services Canada (Ottawa Trust Fund)

Funds on deposit with Indigenous Services Canada 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. The funds are accessible to the Nation upon the completion of certain prescribed procedures.

9. Bank indebtedness

The Nation has three authorized overdraft borrowing agreements in the amounts of \$200,000, \$175,000 and \$200,000, bearing interest respectively at Integris prime lending rate plus 0.50% (March 31, 2019 - 4.45%), Integris prime lending rate (March 31, 2019 - 3.95%) and Royal Bank prime lending rate plus 1.85% (March 31, 2019 - 5.80%) and each is secured by a registered general security agreement. As at March 31, 2019, these credit facilities were not being utilized.

10. Accounts payable and accrued liabilities

	2 0 1 9	2 0 1 8
	\$	\$
Trade accounts payable	943,224	923,735
Payroll and benefits	241,270	211,308
Indigenous Services Canada	80,769	182,212
Accrued interest payable	1,257	-
Accrued interest payable - Social Housing	1,116	1,296
	1,267,636	1,318,551

TL'AZT'EN NATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2019

11. Deferred revenue

Deferred revenue comprises funding received prior to expenditures being made in respect of the following capital and other projects:

	Externally restricted 2 0 1 8 \$	inflows	Revenue recognized \$	2 0 1 9 \$
Indigenous Services Canada				
Asset condition reporting system	94,763	-	(28,672)	66,091
CSMWG sawmill analysis	70,000	-	(70,000)	-
Duplex construction	571,675	-	(571,675)	-
Eugene Joseph School heating system	101,863	193,737	(101,863)	193,737
Jordan's principle	-	1,084,575	(620,413)	464,162
Middle River water upgrade	510,658	100,680	(510,658)	100,680
Tache road design	9,404	-	(9,404)	-
Tache lift station	-	867,839	-	867,839
Tl'azt'en solid waste management	274,865	-	-	274,865
	1,633,228	2,246,831	(1,912,685)	1,967,374
Other				
Prince Rupert Gas Transmission	1,028,400	-	(343,400)	685,000
	1,028,400	-	(343,400)	685,000
	2,661,628	2,246,831	(2,256,085)	2,652,374

12. Long-term debt

Operations Fund

Treaty negotiation promissory notes repayable to the Carrier Sekani Tribal Council at the earlier of:

- a) The date that the loan becomes repayable by the Carrier Sekani Tribal Council pursuant to the First Nation Loan Agreement between the Tribal Council and Canada;
- b) The end of year 2019;
- c) The seventh anniversary of the date of signing of an Agreement-in-Principle by the Carrier Sekani Tribal Council;
- d) The date on which a treaty is signed by the Carrier Sekani Tribal Council;
- e) The date on which the First Nation Loan Agreement between the Carrier Sekani Tribal Council and Canada is terminated;
- f) The date on which the Carrier Sekani Tribal Council becomes insolvent or commits an act of bankruptcy; or
- g) The date on which the Carrier Sekani Tribal Council winds-up.

The promissory notes are secured by a first charge against benefits paid by Canada and British Columbia to the First Nation, or to the Tribal Council on behalf of the First Nation, under a treaty, unless otherwise determined on the due date.

The Government of Canada's 2019 budget included the forgiveness of all treaty negotiation loans and the repayment of settled loans. The legal process for the loan forgiveness has not yet been completed.

TL'AZT'EN NATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2019

12. Long-term debt (continued)

	2 0 1 9	2 0 1 8
	\$	\$
Carrier Sekani Tribal Council	2,044,583	2,044,583
Ford Credit Canada - non-interest bearing, repayable at \$539 per month, secured by specific equipment with a net book value of \$18,862. Due February 2022.	18,863	25,329
Ford Credit Canada - repayable at \$3,017 per month including interest at 1.99% per annum, secured by specific equipment with a net book value of 129,925. Due July 2022.	116,666	150,195
Integris demand loan - repayable at \$3,121 per month including interest at 3.35% per annum, secured by GICs. Due February 2021.	69,392	103,883
Royal Bank of Canada - repayable at \$2,330 per month including interest at 2.35% per annum, secured by mortgage on buildings and a ministerial guarantee. Due March 2022.	80,675	106,404
Royal Bank of Canada - repayable at \$4,314 per month including interest at 2.61% per annum, secured by mortgage on buildings and a ministerial guarantee. Due July 2019.	17,258	67,837
Royal Bank of Canada - repayable at \$6,556 per month including interest at 2.86% per annum, secured by mortgage on buildings and a ministerial guarantee. Due November 2024.	409,254	475,178
Royal Bank of Canada - repayable at \$336 per month including interest at 2.67% per annum, secured by mortgage on buildings and a ministerial guarantee. Due February 2022.	10,995	14,676
Royal Bank of Canada - repayable at \$611 per month including interest at 2.13% per annum, secured by mortgage on buildings and a ministerial guarantee. Due May 2022.	22,373	29,144
Integris demand loan	-	56,204
All Nations Trust Co. - repayable at \$4,286 per month including interest at 1.85% per annum, secured by mortgage on buildings and a ministerial guarantee. Renewal August 2019; matures July 2034.	686,383	724,769
All Nations Trust Co. - repayable at \$2,357 per month including interest at 1.83% per annum, secured by mortgage on buildings and a ministerial guarantee. Renewal August 2019; matures August 2019.	11,727	39,576
All Nations Trust Co. - repayable at \$1,494 per month including interest at 1.19% per annum, secured by mortgage on buildings and a ministerial guarantee. Renewal July 2020; matures July 2020.	23,708	41,247
All Nations Trust Co.	-	16,625
All Nations Trust Co.	-	8,281
All Nations Trust Co.	-	19,334
	3,511,877	3,923,265

TL'AZT'EN NATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2019

12. Long-term debt (continued)

Principal payments due on long-term debt in the next five years are estimated to be as follows:

	\$
2020	608,483
2021	162,025
2022	116,638
2023	54,494
2024	42,073
Thereafter	2,528,164
	<u>3,511,877</u>

13. Reserves

	2 0 1 9	2 0 1 8
	\$	\$
Medical Services Branch - Moveable Capital Asset	183,006	183,006
Band owned housing replacement reserve	17,556	17,556
	<u>200,562</u>	<u>200,562</u>

14. Tangible capital assets

	2 0 1 9	2 0 1 8
	\$	\$
Operations		
Buildings	8,979,054	6,246,567
Equipment	76,500	83,367
Computers and software	16,592	24,871
Water and sewer systems	4,107,708	3,854,468
Roads and electrification	490,777	440,372
Lot development	2,172,852	2,172,852
Investment property	255,296	255,296
Vehicles	445,064	528,992
	<u>16,543,843</u>	<u>13,606,785</u>
Social housing		
Buildings	721,818	849,962
	<u>17,265,661</u>	<u>14,456,747</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule B).

TL'AZT'EN NATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2019

15. Replacement reserves

Under the terms of agreements with Canada Mortgage and Housing Corporation (“CMHC”), the Nation is required to make yearly deposits equal to required contributions to a replacement reserve account for each housing phase. Contributions are based on a percentage of total asset costs. The use of these funds is subject to approval by CMHC. 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 be otherwise approved by CMHC. Withdrawals are credited to interest first and then principal.

Under the terms of agreements with CMHC - Full Subsidy Program, after the payment of all costs and expenses including the allocation to the Replacement Reserve fund, any surplus will be retained by the Nation within an Operating Reserve fund. These funds, along with accumulated interest, must be held in a separate bank account. These funds may only be used for the ongoing operating costs of the housing projects committed under the Full Subsidy Program. Accordingly, future years' deficits may be recovered from the Operating Reserve fund.

Under agreements with CMHC, the Nation may also establish a subsidy surplus reserve where any operating surplus can be retained to a maximum of \$500 per housing unit plus interest earned within the reserve. An additional operating surplus, within the CMHC Housing Programs, is subject to recovery by Canada Mortgage and Housing Corporation.

	2 0 1 9	2 0 1 8
	\$	\$
Replacement reserves	371,867	611,592
Operating reserve	442,332	379,321
	814,199	990,913

a) *Replacement reserves*

	2 0 1 9		2 0 1 8
	Pre-1997	Full Subsidy	\$
Replacement reserve, beginning of year	342,383	269,209	611,592
Contributions	16,647	17,000	33,647
Interest earned	6,129	4,763	10,892
Expenditures	(8,469)	(7,296)	(15,765)
Matured units	(229,279)	(39,220)	(268,499)
Replacement reserve, end of year	127,411	244,456	371,867
			611,592

As at March 31, 2019, the replacement reserve cash account was fully funded (2018 - fully funded).

b) *Operating reserve*

	2 0 1 9	2 0 1 8
	\$	\$
Operating reserve, beginning of year	379,321	347,636
Allocation for the year	58,470	29,804
Interest earned	4,541	1,881
Operating reserve, end of year	442,332	379,321

As at March 31, 2019, the operating reserve cash account was underfunded by \$20,916 (2018 - underfunded by \$121,585).

TL'AZT'EN NATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2019

16. Accumulated surplus

The combined accumulated surplus consists of the following balances:

	2 0 1 9	2 0 1 8
	\$	\$
Enterprise fund	432,396	482,152
Equity in operating fund	1,951,873	2,201,957
Equity in tangible capital assets	15,798,367	12,578,065
Equity in Ottawa Trust funds	2,223,764	2,099,697
Replacement reserves (Note 15)	814,199	990,913
Social housing surplus (deficit)	73,377	(161,156)
	21,293,976	18,191,628

17. Commitments and contingencies

- (a) *Guarantees:* The Nation has a contingent liability related to Indigenous Services Canada's ministerial loan guarantees on mortgages for certain Nation members. The outstanding balance of these mortgages at March 31, 2019 was approximately \$1,281,339.
- (b) Surpluses related to some projects funded by Indigenous and Services Canada and First Nations Health Authority are subject to possible recovery by those agencies. No provision has been made in these statements for potential recovery for the 2020 year end.
- (c) The Nation is subject to legal proceedings, claims and litigation arising in the normal course of business. While the outcome of these matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on the Nation's financial statements.

18. Additional information relating to the statement of cash flows

Non-cash transactions

During the year, tangible capital assets were acquired at an aggregate cost of \$4,351,596 (2018 - \$2,822,344) of which \$nil (2018 - \$172,170) was financed with the assumption of long-term debt and the balance of the purchase price of \$4,351,596 (2018 - \$2,650,174) was paid by the Nation in cash.

TL'AZT'EN NATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2019

19. Expenses by object

The following is a summary of expenses by object:

	2 0 1 9	2 0 1 8
	\$	\$
Advertising	22,662	39,480
Amortization	1,542,684	1,417,240
Bad debts	167,050	67,377
Bank charges and interest	17,821	20,230
Building expenses	1,373,557	944,404
Client services	122,900	31,662
Contract fees	730,977	284,275
Education	2,831,240	2,226,263
Equipment expenses	323,039	389,296
Fire and safety	15,466	294,888
Health	430,032	349,529
Honorarium	172,822	192,327
Honorarium - Keyoh holders	26,100	336,000
Interest on long-term debt	32,156	37,692
Meals program and groceries	56,836	35,974
Meeting, cultural activities and community projects	378,899	207,204
Miscellaneous	310,077	185,603
Office supplies and equipment	372,525	366,775
Professional fees	297,231	604,027
Replacement reserve	33,647	52,507
Social Assistance	798,056	723,447
Subsidy to social housing	7,260	1,200
Telephone, radio and internet	113,185	125,975
Training and workshops	490,433	634,865
Travel	588,407	638,815
Wages and benefits	3,981,766	3,792,781
Equity loss from business enterprises	49,756	-
Impairment loss	-	555,000
	15,286,584	14,554,836

20. Income and expenditures by segment

The Nation has presented income and expenditures by segment in Schedule A. The segments presented are as follows:

Operations Fund:

Administration - this segment discloses general activities of the Nation's administration

Housing Operations - this segment reflects income and expenditures associated with the operation and maintenance of Nation owned housing occupied by members.

Health Services - this segment discloses program activities funded by First Nations Health Authority (formerly funded by Health Canada) that related to the provision of health related services to the Nation's members.

Natural Resources - this segment discloses income and expenditures associated with developing and maintaining the natural resources of Nation's traditional territory.

TL'AZT'EN NATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2019

20. Income and expenditures by segment (continued)

Economic Development - this segment discloses program activities primarily funded by Indigenous Services Canada ("ISC") for community economic development projects.

Education - this segment discloses program activities primarily funded by Indigenous Services Canada and Prince George Native Education and Training Association. These programs relate to elementary, secondary and post-secondary education and training services.

Social Development - this segment includes programs and services related to the social benefit and welfare of Nation members, which is funded by Indigenous Services Canada.

Infrastructure - this segment reflects maintenance costs of various Nation owned buildings and infrastructure.

Capital projects - this segment discloses income and expenditures related to acquiring new capital projects and is funded by Indigenous Services Canada.

Schedule A also discloses activities related to funds operated by the Nation including the Social Housing Fund, the Ottawa Trust Fund, and the Enterprise Fund, as disclosed in Note 1(a).

21. Pension plan

The Nation makes contributions to a pension plan, which is a multi-employer defined contribution plan, on behalf of its staff. The amount contributed to the plan for 2019 was \$67,863. The contributions were made for current service and these have been recognized in the statement of operations and accumulated surplus.

22. Investment in Tache Enterprises Limited Partnership

The Nation holds a 100% interest in Tache Enterprises Limited Partnership ("Tache Enterprises") as at March 31, 2019. This investment is being accounted for at cost, because of the following:

- i. It does not meet the criteria for reporting as a government business enterprise, accounted for by the modified equity method, because it cannot, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the Nation.
- ii. Because the investment does not meet the criteria for reporting as a government business enterprise, it would normally be consolidated with the financial statements of the Nation; however, the lack of sufficient and appropriate audit evidence surrounding the financial information of Tache Enterprises, would make consolidation misleading to financial statements users.

The Nation advanced \$555,000 to Tache Enterprises during the prior year. These advances were written off as uncollectable as at March 31, 2018 given uncertainty regarding repayment of this amount.

Select unaudited financial information of Tache Enterprises, is summarized as follows:

	2 0 1 9	2 0 1 8
	\$	\$
Balance sheet information		
Assets	-	400,280
Liabilities	-	555,080
Equity	-	(154,800)
Results of operations		
Revenues	121,491	176,055
Expenses	323,472	360,486
Net loss	(201,981)	(184,431)

TL'AZT'EN NATION
NOTES TO THE FINANCIAL STATEMENTS
year ended March 31, 2019

23. Subsequent event

Subsequent to March 31, 2019 and in the 2020 fiscal year, the ongoing separation of Binche Nation from Tl'azt'en Nation is expected to be concluded. This will affect certain revenues and expenditures, and as such, certain figures in the 2020 financial statements will not be comparable on a direct basis to the same figures presented in these financial statements.

24. Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

TL'AZT'EN NATION
REVENUE, EXPENDITURES AND SURPLUS BY SEGMENT
year ended March 31, 2019

SCHEDULE A

2019

	ISC Revenue	Other Revenue	Total Revenue	Total Expenditure	Annual Surplus	Net transfers/ Program Recovery	Net annual Surplus	2018 Opening Surplus (Deficit)	2019 Closing Surplus (Deficit)
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Operations Fund:									
Administration	762,211	72,520	834,731	1,339,722	(504,991)	-	(504,991)	357,256	(147,735)
Housing Operations	724,866	557,368	1,282,234	893,026	389,208	(210,029)	179,179	3,090,581	3,269,760
Health Services	-	2,523,211	2,523,211	2,383,812	139,399	-	139,399	581,602	721,001
Natural Resources	-	2,016,348	2,016,348	1,048,562	967,786	-	967,786	4,507,825	5,475,611
Economic Development	90,984	18,434	109,418	58,474	50,944	-	50,944	354,771	405,715
Education	4,399,145	1,362,266	5,761,411	5,662,185	99,226	(9,123)	90,103	676,976	767,079
Social Development	1,319,765	2,000	1,321,765	1,227,692	94,073	(71,646)	22,427	196,653	219,080
Infrastructure	675,372	117,239	792,611	2,272,589	(1,479,978)	-	(1,479,978)	1,594,921	114,943
Capital Projects	3,358,608	26,749	3,385,357	136,774	3,248,583	-	3,248,583	4,410,348	7,658,931
Social Housing Fund	-	318,548	318,548	213,992	104,556	210,029	314,585	(161,154)	153,431
Ottawa Trust Fund	-	124,067	124,067	-	124,067	-	124,067	2,099,697	2,223,764
Enterprise Fund	-	-	-	49,756	(49,756)	-	(49,756)	482,152	432,396
	11,330,951	7,138,750	18,469,701	15,286,584	3,183,117	(80,769)	3,102,348	18,191,628	21,293,976

2018

	ISC Revenue	Other Revenue	Total Revenue	Total Expenditure	Annual Surplus	Net transfers/ Program Recovery	Net annual Surplus	2017 Opening Surplus (Deficit)	2017 Closing Surplus (Deficit)
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Operations Fund:									
Administration	710,307	312,921	1,023,228	1,106,670	(83,442)	(25,548)	(108,990)	466,246	357,256
Housing Operations	1,205,956	254,514	1,460,470	521,873	938,597	61,135	999,732	2,090,849	3,090,581
Health Services	451,452	2,659,872	3,111,324	2,588,333	522,991	(8,709)	514,282	67,320	581,602
Natural Resources	-	5,288,481	5,288,481	1,606,863	3,681,618	-	3,681,618	826,207	4,507,825
Economic Development	91,877	18,782	110,659	86,119	24,540	-	24,540	330,231	354,771
Education	3,460,029	1,226,512	4,686,541	4,129,312	557,229	(337,852)	219,377	457,599	676,976
Social Development	1,184,421	-	1,184,421	1,080,826	103,595	(97,955)	5,640	191,013	196,653
Infrastructure	682,689	126,067	808,756	2,380,269	(1,571,513)	262,892	(1,308,621)	2,903,542	1,594,921
Capital Projects	2,224,932	-	2,224,932	194,941	2,029,991	-	2,029,991	2,380,357	4,410,348
Social Housing Fund	-	339,932	339,932	304,630	35,302	(29,804)	5,498	(166,652)	(161,154)
Ottawa Trust Fund	-	148,711	148,711	-	148,711	-	148,711	1,950,986	2,099,697
Enterprise Fund	-	-	1,135,072	555,000	580,072	-	580,072	(97,920)	482,152
	10,011,663	10,375,792	21,522,527	14,554,836	6,967,691	(175,841)	6,791,850	11,399,778	18,191,628

TL'AZT'EN NATION
TANGIBLE CAPITAL ASSETS
year ended March 31, 2019

SCHEDULE B

2019	Buildings	Equipment	Computers and software	Water and sewer systems	Roads and electrification	Lot development	Investment property	Vehicles	Social housing buildings	Total 2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Balance, beginning of the year	25,151,506	1,242,196	169,871	16,121,307	4,827,209	2,172,852	255,296	1,416,013	4,150,535	55,506,785
Add: additions	3,308,220	5,945	865	838,695	127,851	-	-	70,020	-	4,351,596
Transfers	1,583,143								(1,583,143)	
Less: disposals	-	-	-	-	-	-	-	-	-	-
Balance: end of year	30,042,869	1,248,141	170,736	16,960,002	4,955,060	2,172,852	255,296	1,486,033	2,567,392	59,858,381
Accumulated amortization										
Balance: beginning of year	18,904,939	1,158,829	145,000	12,266,839	4,386,837	-	-	887,021	3,300,573	41,050,038
Add: amortization	575,819	12,812	9,144	585,455	77,446	-	-	153,948	128,058	1,542,682
Accumulated amortization on disposals/transfers	1,583,057	-	-	-	-	-	-	-	(1,583,057)	-
Balance, end of year	21,063,815	1,171,641	154,144	12,852,294	4,464,283	-	-	1,040,969	1,845,574	42,592,720
Net book value	8,979,054	76,500	16,592	4,107,708	490,777	2,172,852	255,296	445,064	721,818	17,265,661
2018	Buildings	Equipment	Computers and software	Water and sewer systems	Roads and electrification	Lot development	Investment property	Vehicles	Social housing buildings	Total 2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Balance, beginning of the year	22,820,054	1,242,196	169,871	15,814,017	4,827,209	2,172,852	255,296	1,244,492	4,150,535	52,696,522
Add: additions	2,331,452	-	-	307,290	-	-	-	183,602	-	2,822,344
Balance: end of year	25,151,506	1,242,196	169,871	16,121,307	4,827,209	2,172,852	255,296	1,416,013	4,150,535	55,506,785
Accumulated amortization										
Balance: beginning of year	18,584,548	1,146,613	143,286	11,740,877	4,168,649	-	-	744,256	3,116,650	39,644,879
Add: amortization	320,391	12,216	1,714	525,962	218,188	-	-	154,846	183,923	1,417,240
Balance, end of year	18,904,939	1,158,829	145,000	12,266,839	4,386,837	-	-	887,021	3,300,573	41,050,038
Net book value	6,246,567	83,367	24,871	3,854,468	440,372	2,172,852	255,296	528,992	849,962	14,456,747