

Consolidated Financial Statements of

TK'EMLÚPS TE SECWÉPEMC

Year ended March 31, 2015

TK'EMLÚPS TE SECWÉPEMC

Consolidated Financial Statements

Year ended March 31, 2015

Financial Statements

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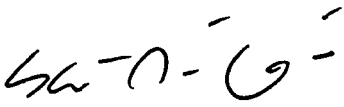
MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Tk'emlúps te Secwépemc ("TteS") are the responsibility of management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

TteS' management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Chief and Council meet with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by TteS. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on TteS' consolidated financial statements.



Chief



Chief Financial Officer



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INDEPENDENT AUDITORS' REPORT

To the Members of Tk'emlúps te Secwépemc

We have audited the accompanying consolidated financial statements of Tk'emlúps te Secwépemc ("the Entity"), which comprise the consolidated statement of financial position as at March 31, 2015, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tk'emlúps te Secwépemc as at March 31, 2015, and its consolidated results of operations, its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

Kamloops, Canada
July 21, 2015

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TK'EMLÚPS TE SECWÉPEMC

Consolidated Statement of Financial Position

March 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|--|----------------------|----------------------|
| Financial assets: | | |
| Unrestricted cash and cash equivalents | \$ 5,574,554 | \$ 4,112,706 |
| Restricted cash and cash equivalents (note 2) | 6,109,270 | 3,549,499 |
| Funded reserves (note 3) | 536,599 | 519,466 |
| Ottawa trust funds (note 4) | 46,674 | 394,585 |
| Accounts receivable (note 5) | 2,270,527 | 2,841,658 |
| Property taxes receivable | 1,581,682 | 1,527,630 |
| Loan receivable (note 6) | 134,118 | 133,353 |
| Long-term investments and advances (note 7) | 472,943 | 472,943 |
| Investment in partnerships (note 8) | 657,522 | 489,641 |
| Advances to related entities (note 9) | 9,603,714 | 9,965,547 |
| Investment in government business enterprises (note 10) | 70,788 | - |
| | 27,058,391 | 24,007,028 |
| Liabilities: | | |
| Accounts payable and accrued liabilities | 2,938,772 | 2,559,128 |
| Landfill remediation liability (note 11) | 80,637 | 200,000 |
| Deferred revenue (note 12) | 6,648,773 | 5,093,916 |
| Debt (note 13) | 6,896,977 | 8,625,418 |
| Equity in deficit of government business enterprises (note 10) | - | 1,215,302 |
| | 16,565,159 | 17,693,764 |
| Net financial assets | 10,493,232 | 6,313,264 |
| Non-financial assets: | | |
| Tangible capital assets (note 14) | 34,615,728 | 36,563,256 |
| Prepaid expenses and deposits | 409,692 | 356,881 |
| | 35,025,420 | 36,920,137 |
| Accumulated surplus (note 15) | \$ 45,518,652 | \$ 43,233,401 |

Contingencies (note 17)

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

Approved:

Chief

Councilor

TK'EMLÚPS TE SECWÉPEMC

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2015, with comparative information for 2014

| | Budget (note 1(i)) | 2015 | 2014 |
|--|-----------------------|----------------------|----------------------|
| Revenue: | | | |
| Aboriginal Affairs and Northern Development Canada | \$ 5,550,932 | \$ 5,382,993 | \$ 5,306,878 |
| Administration fees | 1,681,983 | 168,965 | 128,229 |
| Canada Mortgage and Housing Corporation | 323,568 | 355,261 | 282,664 |
| Capital recovery - sewer | - | 75,000 | 2,000,000 |
| Contract revenue | 253,920 | 541,847 | 593,882 |
| Government business enterprises income (note 10) | 306,707 | 1,286,090 | 675,465 |
| Health Canada | 11,000 | 13,065 | 12,375 |
| Interest and investment income | 20,110 | 218,267 | 218,795 |
| Kamloops Indian Band (K.I.B.) Sales Tax | 1,589,500 | 1,871,495 | 1,672,665 |
| Lease and rental income | 3,395,904 | 3,012,061 | 2,933,621 |
| Management fees | 580,127 | 580,131 | 548,199 |
| Partnership income (note 8) | 446,500 | 12,413 | 232,443 |
| Property taxation | 5,713,065 | 6,016,583 | 5,917,903 |
| Province of British Columbia | 1,546,361 | 2,035,374 | 1,622,332 |
| User fees and other | 1,968,401 | 2,397,633 | 2,481,054 |
| Total revenue | 23,388,078 | 23,967,178 | 24,626,505 |
| Expenses: | | | |
| Administration | 2,814,721 | 2,809,674 | 2,748,775 |
| Band council | 1,000,501 | 981,162 | 947,831 |
| Chief Louis Centre | 298,500 | 307,599 | 339,793 |
| Legal | 674,951 | 493,530 | 726,715 |
| Social development | 1,717,334 | 1,659,916 | 1,601,921 |
| Sk'elep school | 1,832,700 | 1,826,530 | 1,672,688 |
| Education | 3,497,511 | 3,014,977 | 3,030,092 |
| Property tax | 3,370,135 | 2,722,735 | 2,700,429 |
| Land and leases | 1,180,780 | 943,755 | 734,643 |
| Housing | 758,628 | 981,564 | 848,899 |
| Maintenance | 6,270,235 | 2,875,830 | 3,474,497 |
| Natural resources | 346,829 | 479,058 | 528,717 |
| Social housing | 847,621 | 786,221 | 750,510 |
| Amortization - capital fund | - | 1,793,323 | 1,505,951 |
| Other | - | 6,053 | 35,001 |
| Total expenses | 24,610,446 | 21,681,927 | 21,646,462 |
| Annual surplus (deficiency) | (1,222,368) | 2,285,251 | 2,980,043 |
| Accumulated surplus, beginning of year | 43,233,401 | 43,233,401 | 40,253,358 |
| Accumulated surplus, end of year | \$ 42,011,033 | \$ 45,518,652 | \$ 43,233,401 |
| Segmented information (note 19) | | | |
| Allocations of annual surplus: | | | |
| Debt repayment - sewer | \$ - | \$ (75,000) | \$ (2,000,000) |
| Unallocated annual surplus | \$ - | \$ 2,210,251 | \$ 980,043 |

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

TK'EMLÚPS TE SECWÉPEMC

Consolidated Statement of Change in Net Financial Assets

Year ended March 31, 2015, with comparative information for 2014

| | Budget (note 1(i)) | 2015 | 2014 |
|--|-----------------------|---------------|--------------|
| Annual surplus (deficiency) | \$ (1,222,368) | \$ 2,285,251 | \$ 2,980,043 |
| Acquisition of tangible capital assets | - | (181,794) | (1,730,641) |
| Amortization of tangible capital assets | - | 2,129,322 | 2,063,599 |
| | - | 1,947,528 | 332,958 |
| Usage of prepaid expenses, net of acquisitions | - | (52,811) | 787,922 |
| | - | (52,811) | 787,922 |
| Change in net financial assets | (1,222,368) | 4,179,968 | 4,100,923 |
| Net financial assets, beginning of year | 6,313,264 | 6,313,264 | 2,212,341 |
| Net financial assets, end of year | \$ 5,090,896 | \$ 10,493,232 | \$ 6,313,264 |

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

TK'EMLÚPS TE SECWÉPEMC

Consolidated Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|--|---------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 2,285,251 | \$ 2,980,043 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 2,129,322 | 2,063,599 |
| Equity in income of investments | (1,298,503) | (907,908) |
| Disposal of investment | - | (140,107) |
| Change in non-cash assets and liabilities: | | |
| Accounts receivable | 571,131 | (1,475,483) |
| Property taxes receivable | (54,052) | (171,412) |
| Prepaid expenses and deposits | (52,811) | 787,922 |
| Loan receivable | (765) | 356 |
| Accounts payable and accrued liabilities | 379,644 | 429,135 |
| Landfill remediation liability | (119,363) | 200,000 |
| Deferred revenue | 1,554,857 | 2,815,790 |
| Net change in cash from operating activities | 5,394,711 | 6,581,935 |
| Capital activities: | | |
| Acquisition of tangible capital assets | (181,794) | (1,730,641) |
| Net change in cash used in capital activities | (181,794) | (1,730,641) |
| Investing activities: | | |
| Purchase of investments | - | (1,998) |
| Advances from (to) related entities | 361,833 | 56,818 |
| Contributions to partnerships | (155,468) | (103,140) |
| Net change in cash from (used in) investing activities | 206,365 | (48,320) |
| Financing activities: | | |
| Proceeds from debt | 442,780 | 4,876,520 |
| Repayment of debt | (2,171,221) | (3,106,322) |
| Net change in cash (used in) from financing activities | (1,728,441) | 1,770,198 |
| Net change in cash and cash equivalents | 3,690,841 | 6,573,172 |
| Cash and cash equivalents, beginning of year | 8,576,256 | 2,003,084 |
| Cash and cash equivalents, end of year | \$ 12,267,097 | \$ 8,576,256 |
| Represented by: | | |
| Unrestricted cash and cash equivalents | \$ 5,574,554 | \$ 4,112,706 |
| Restricted cash and cash equivalents | 6,109,270 | 3,549,499 |
| Funded reserves | 536,599 | 519,466 |
| Ottawa trust funds | 46,674 | 394,585 |
| | \$ 12,267,097 | \$ 8,576,256 |

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

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements

Year ended March 31, 2015

Tk'emlúps te Secwépemc ("TteS") is a First Nations government operating out of Kamloops, British Columbia. TteS is a progressive community committed to attaining self-sufficiency and independence through education and economic development. TteS was established in 1862 and is responsible for the well-being of its community and the enactment of legal policies and programs in the areas of capital, education, membership, health, and social and economic development.

1. Basis of presentation and significant accounting policies:

These consolidated financial statements reflect the assets, liabilities and results of operations of TteS and all related entities and organizations subject to control by TteS. These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada, which encompass the following principles:

(a) Basis of consolidation:

(i) Consolidated entities:

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of a government business enterprise or government business partnership. The reporting entity is comprised of all related entities and organizations subject to control by TteS. Organizations consolidated in these financial statements include:

- Tk'emlúps te Secwépemc
- Tk'emlúps te Secwépemc Social Housing Section 95 Phases 1-13
- Tk'emlúps te Secwépemc Social Housing Section 95 Phases 14-20

Inter-departmental and inter-organizational transactions and balances between these entities have been eliminated.

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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

(a) Basis of consolidation (continued):

(ii) Investment in government business enterprises:

TteS' investment in the following government business enterprises are accounted for on a modified equity basis. Under the modified equity basis, these entities' accounting policies are not adjusted to conform with those of TteS and inter-organizational transactions and balances are not eliminated. TteS recognizes its equity interest in the annual income or loss of the entities in its consolidated statement of operations and accumulated surplus with a corresponding increase or decrease in its investment asset account. Any dividends that TteS may receive from these entities will be reflected as reductions in the investment asset account.

Organizations accounted for on a modified equity basis include:

- Kamloops Indian Band Development Corporation;
- Kamloops Indian Band Utility Corporation;
- Spiyu7ullucw Ranch Corporation;
- Mount Paul Centre Inc.; and
- Tk'emlupsemc Forestry Development Corporation, which includes its pro-rated portion of its investment in the Tk'emlupsemc Forestry Limited Partnership.

(iii) Investment in partnerships:

TteS' investment in the Tk'emlupsemc Forestry Limited Partnership and the Stk'emlupsemc Limited Partnership (the "partnerships") are accounted for on a modified equity basis.

Under the modified equity basis, the partnerships' accounting policies are not adjusted to conform with those of TteS and inter-organizational transactions and balances are not eliminated. TteS recognizes its equity interest in the annual income or loss of the partnerships in its consolidated statement of operations and accumulated surplus, less cash advances or cash disbursements, with a corresponding increase or decrease in its investment asset account.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term, highly liquid investments with a term to maturity of 90 days or less that are readily convertible to cash.

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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

(c) Restricted cash and cash equivalents:

Restricted cash and cash equivalents represents amounts reserved either internally or by statute for specific future purposes.

(d) Investments:

Investments in entities that TteS does not control individually or jointly are recorded at cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to its net realizable value.

(e) Deferred revenue:

Deferred revenue represents grants and other fees which have been collected, but for which the related expenses or services have yet to be incurred or performed. These amounts will be recognized as revenues in the fiscal year in which the services are performed or related expenses incurred.

(f) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible capital assets are recorded at fair value at the time of the donation with a corresponding amount recorded as revenue. Expenses for repairs and maintenance that do not materially add to the useful life or service potential of the asset are not capitalized, but expensed as incurred.

Tangible capital assets acquired on April 1, 1975 or later are recorded at cost. Tangible capital assets acquired prior to April 1, 1975 are recorded at net replacement values as appraised by Harker Appraisals Ltd. at August 15, 1977 and July 31, 1978, except land, which is recorded at a nominal value of \$1.

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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

(f) Non-financial assets (continued):

(i) Tangible capital assets (continued):

The cost, less residual value, of the tangible capital assets, excluding land, are amortized over their estimated useful lives as follows:

| Asset | Basis | Rate |
|--|-------------------|-----------|
| Automotive | Declining balance | 30% |
| Buildings | Declining balance | 4% |
| Social housing buildings | Straight-line | 40 years |
| Computer equipment | Declining balance | 50% |
| Equipment | Declining balance | 20% |
| Fencing and other land improvements | Declining balance | 4% |
| Furniture and fixtures | Declining balance | 20% |
| Social housing fixtures | Straight-line | 10 years |
| Property and equipment, recorded at appraised values | Declining balance | 2.5 - 10% |
| Roadways, sewer and water systems | Declining balance | 4 - 8% |

Assets under construction are not amortized until the asset is available for productive use. When a tangible capital asset no longer contributes to TteS' ability to provide services, its carrying amount is written down to its recoverable amount.

All intangibles and items inherited by right of TteS, such as land, forests, water, and mineral resources, that have not been purchased, are not recognized in these consolidated financial statements.

Contributed tangible capital assets are recognized at fair market value at the date of contribution. Where an estimate of fair value can not be made, the tangible capital asset is recognized at a nominal value.

(ii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets, including artifacts, paintings and sculptures, are not recorded as assets in these consolidated financial statements.

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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

(g) Revenue recognition:

Revenue is recognized on the accrual basis as it is earned, or as services are provided, and is measurable and becomes receivable under the terms of the applicable funding agreements.

Government transfers are recognized as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria is met, and reasonable estimates of the amounts can be made. If the transfer contains stipulations that create a liability, the transfer is recognized as revenue in the period in which the liability is extinguished.

Contract revenues are recorded on an accrual basis and are recognized when the service has been provided.

Grants and donations are recognized as revenue when received or receivable if amounts can be reasonably estimated and collection is reasonably assured.

Interest and investment income is recorded as revenue in the period earned.

Lease and rental income is recorded on a straight-line basis over the term of the lease or agreement and is recognized when a tenant commences occupancy, the amounts to be received can be reasonably estimated and collection is reasonably assured.

Property tax revenues are recorded on the accrual basis and are recognized when the amounts to be received can be reasonably estimated and collection is reasonably assured.

Sales tax, user fees and other income are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. The recoverable amount of accounts receivable, property taxes receivable, and investments, and the useful lives of tangible capital assets are significant items subject to such estimates and assumptions. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are adjusted prospectively.

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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

(i) Budgets:

Budget information for individual programs has been included in the consolidated financial statements when the information is available and represents the 2014/2015 operating and capital budgets approved by Chief and Council on March 25, 2014.

(j) Funded reserves:

In order to provide for replacement of major tangible capital assets, the terms of the agreement with CMHC provide that a Replacement Reserve Fund be established by annual charges to operations in an amount prescribed by the agreement. Interest is to accrue on the cumulative reserve balance. In addition, under the terms of the agreement for the 2% Subsidy Program, TteS may retain, in a Subsidy Surplus Reserve, excess federal assistance payments up to a maximum of \$500 per unit plus interest, and under the terms of the agreement for the Full Subsidy Program, TteS may retain in an Operating Reserve all excess federal assistance, plus interest.

(k) Employee future benefits:

TteS contributes to a private defined contribution pension plan. Contributions are expensed as incurred.

(l) Segmented disclosure:

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of TteS. TteS identifies its segments based on specific projects and funding arrangements. Revenue and expenses are allocated to these segments according to the method of identification.

(m) Landfill liability:

The liability and annual expenditure for closure of the operational site and post-closure care has been recognized as the landfill site's capacity is used each year, based on the present value of estimated future cash flows, after being adjusted for estimated inflation.

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

2. Restricted cash and cash equivalents:

Certain cash has been internally restricted by TteS or externally restricted by federal or provincial government authorities for the following specific purposes. These funds have been invested in separate investment funds and cash accounts.

| | 2015 | 2014 |
|---|--------------|--------------|
| Externally restricted: | | |
| Six Mile Settlement Fund | \$ 75,034 | \$ 75,164 |
| Tessie J. Jules Bursary Fund | 109,152 | 107,811 |
| Little Fawn Daycare Fundraising Trust Fund | 24,249 | 22,937 |
| Stk'emlupsemc te Secwepemc Nation Trust Fund | 1,034,320 | 381,209 |
| First Nations Market Housing Fund | 46,824 | 73,666 |
| Forestry Contribution Revenue Sharing Agreement | 1,402,437 | 953,580 |
| First Nations Land Acquisitions Fund | 1,963,908 | 1,935,132 |
| Net Smelter Fund | 501,596 | - |
| | 5,157,520 | 3,549,499 |
| Internally restricted: | | |
| Capital reserve | 150,000 | - |
| Capital reserve (Ottawa Trust withdrawal) | 355,110 | - |
| Long-term capital plan reserve | 446,640 | - |
| | 951,750 | - |
| | \$ 6,109,270 | \$ 3,549,499 |

3. Funded reserves:

(a) Operating Surplus Reserve

Under the terms of the agreements with CMHC in the Full Subsidy Program, excess federal assistance payments received may be retained in an Operating Surplus Reserve. The funds in this account may only be used to meet future subsidy requirements of the program over and above the maximum federal assistance and the minimum revenue contribution. Withdrawals are charged to interest first and then principal.

The funds in the Operating Surplus Reserve, as reported in the consolidated statement of financial position, consist of:

| | 2015 | 2014 |
|---|-------------|------------------|
| Restricted cash - operating reserve | 32,528 | \$ 32,128 |
| Monies to be withdrawn subsequent to year-end | (32,528) | (6,706) |
| Total operating reserve funds | \$ - | \$ 25,422 |

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

3. Funded reserves (continued):

(b) Replacement Reserve

Under the terms of the agreement with CMHC, the Replacement Reserve account was credited, during the year ended March 31, 2015, in the amount of \$105,006 (2014 - \$110,839) including interest. The funds in the account may only be used as approved by CMHC.

The Replacement Reserve, as reported in the consolidated statement of financial position, consists of:

| | 2015 | 2014 |
|---|-------------------|-------------------|
| Restricted cash - replacement reserve | \$ 504,071 | \$ 487,338 |
| Monies to be deposited subsequent to year-end | 85,627 | 78,182 |
| Total replacement reserve funds | \$ 589,698 | \$ 565,520 |

As at March 31, 2015, total funded reserves are \$536,599 (2014 - \$519,466).

4. Ottawa Trust Funds:

Aboriginal Affairs and Northern Development Canada ("AANDC") holds certain funds in trust for TteS. These funds are designated as revenue or capital funds 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. Subject to approval by the Minister of Aboriginal Affairs and Northern Development, TteS is permitted to expend its revenue funds for any purpose that will promote the general progress and welfare of TteS and TteS members. The expense of capital funds requires the consent of the Minister of Aboriginal Affairs and Northern Development and such expense generally must be for projects of a capital nature. During the year ended March 31, 2015, TteS transferred \$355,110 from externally restricted equity held by the Ottawa Trust to internally restricted equity for capital reserves.

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

5. Accounts receivable:

| | AANDC | Social Housing | Band Members | Other | 2015 | 2014 |
|---------------------------------|-----------|-------------------|-----------------|--------------|--------------|--------------|
| Accounts receivable | \$ 10,389 | \$ 19,796 | \$ 1,076,765 | \$ 2,328,838 | \$ 3,435,788 | \$ 4,006,919 |
| Allowance for doubtful accounts | - | - | (1,062,515) | (102,746) | (1,165,261) | (1,165,261) |
| | \$ 10,389 | \$ 19,796 | \$ 14,250 | \$ 2,226,092 | \$ 2,270,527 | \$ 2,841,658 |

6. Loan receivable:

The amounts due from the Kamloopa Pow Wow Society are unsecured, non-interest bearing, and have no specified terms of repayment.

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

7. Long-term investments and advances:

| | 2015 | 2014 |
|--|------------|------------|
| All Nations Trust Company ("ANTCO"): | | |
| 156,270 (2014 - 156,270) Class A common shares | \$ 156,270 | \$ 156,270 |
| First Nations Finance Authority, pooled investments: | | |
| 18,850 units, Intermediate Money Market Fund (2014 - 18,850) | 188,503 | 188,503 |
| Cuwkeltam Leasing Inc. (note 10) | 1 | 1 |
| Kamloops Indian Band Development Corporation (note 10) | 1 | 1 |
| Kamloops Indian Band Utility Corporation (note 10) | 1 | 1 |
| Spiyu7ullucw Ranch Corporation (note 10) | 1 | 1 |
| Mount Paul Centre Inc. (note 10) | 1 | 1 |
| Tk'emlupsemc Forestry Development Corporation (note 10) | 1 | 1 |
| Tk'emlupsemc Forestry Limited Partnership (note 8) | 199 | 199 |
| Stk'emlupsemc Enterprises Inc., 50% interest: | | |
| Investment in shares | 10 | 10 |
| Advances | 455 | 455 |
| Stk'emlupsemc te Secwepemc Nation, 50% interest: | | |
| Advances | 127,500 | 127,500 |
| | 472,943 | 472,943 |
| Raven Biofuels Ltd. | 150,000 | 150,000 |
| Less allowance for impairment | (150,000) | (150,000) |
| | \$ 472,943 | \$ 472,943 |

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

8. Investment in partnerships:

Tk'emlupsemc Forestry Development Corporation ("TFDC") and TteS have an investment in Tk'emlupsemc Forestry Limited Partnership ("TFLP"). TFDC owns 0.5% (1/200) of the units of TFLP and TteS owns 99.5% (199/200) of the units of TFLP.

Stk'emlupsemc Enterprises Inc. ("SEI"), the Skeetchestn Indian Band ("SIB") and TteS have an investment in Stk'emlupsemc Limited Partnership ("SLP"). SEI is the general partner and owns 0.01% of SLP, while the limited partners, SIB and TteS, each own 49.995% of SLP.

As at March 31, 2015, the assets, liabilities, equity, and net income of TFLP and SLP, are as follows:

| | Tk'emlupsemc Forestry Limited Partnership | Stk'emlupsemc Limited Partnership | 2015 | 2014 |
|---|---|---|--------------|--------------|
| Total assets | \$ 1,296,055 | \$ 1,131,133 | \$ 2,427,188 | \$ 1,719,660 |
| Total liabilities and partners' equity | 1,296,055 | 1,131,133 | 2,427,188 | 1,719,660 |
| Net income (loss) | | | | |
| Revenue | 4,576,783 | 2,904,025 | 7,480,808 | 7,974,711 |
| Expenses | 4,909,028 | 849,925 | 5,758,953 | 7,006,515 |
| Net income (loss) | \$ (332,245) | \$ 2,054,100 | \$ 1,721,855 | \$ 968,196 |

As at March 31, 2015, TteS' investment in partnerships is comprised of:

| | 2015 | 2014 |
|---|------------|------------|
| Tk'emlupsemc Forestry Limited Partnership | \$ 309,330 | \$ 484,446 |
| Stk'emlupsemc Limited Partnership | 348,192 | 5,195 |
| Total investment | \$ 657,522 | \$ 489,641 |

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

9. Advances to related entities:

The amounts advanced to (from) related entities are non-interest bearing, unsecured and have no specified terms of repayment.

| | 2015 | 2014 |
|---|---------------------|---------------------|
| Kamloops Indian Band Utility Corporation | \$ 6,710 | \$ 2,312,732 |
| Kamloops Indian Band Development Corporation | 74,819 | (1,657,648) |
| Mount Paul Centre Inc. | 6,456 | (184,202) |
| Stk'emlupsemc te Secwepemc Nation | 1,597 | 1,597 |
| Spiyu7ullucw Ranch Corporation | 9,003,447 | 8,982,327 |
| Tk'emlupsemc Forestry Development Corporation | 507,723 | 507,723 |
| Other | 2,962 | 3,018 |
| | \$ 9,603,714 | \$ 9,965,547 |

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

10. Investment in government business enterprises:

| | Kamloops Indian Band Development Corporation | Kamloops Indian Band Utility Corporation | Spiyu7ullucw Ranch Corporation | Mount Paul Centre Inc. | Tk'emlupsemc Forestry Development Corporation | 2015 Total | 2014 Total |
|------------------------------|---|---|--------------------------------------|------------------------------|--|---------------|---------------|
| Total assets | \$ 4,614,048 | \$ 3,700,369 | \$ 7,485,593 | \$ 420,197 | \$ 73,370 | \$ 16,293,577 | \$ 15,250,037 |
| Total liabilities | 3,095,470 | 3,439,955 | 9,081,644 | 55,096 | 550,619 | 16,222,784 | 16,465,334 |
| Share capital | 1 | 1 | 1 | 1 | 1 | 5 | 5 |
| Retained earnings (deficit) | 1,518,577 | 260,413 | (1,596,052) | 365,100 | (477,250) | 70,788 | (1,215,302) |
| Total liabilities and equity | \$ 4,614,048 | \$ 3,700,369 | \$ 7,485,593 | \$ 420,197 | \$ 73,370 | \$ 16,293,577 | \$ 15,250,037 |
| Net income (loss): | | | | | | | |
| Revenue | \$ 1,166,709 | \$ 11,177,962 | \$ 490,627 | \$ 29,078 | \$ 323,726 | \$ 13,188,102 | \$ 11,426,684 |
| Expenses | 602,895 | 10,449,603 | 463,651 | 76,450 | 309,413 | 11,902,012 | 10,751,219 |
| Net income (loss) | \$ 563,814 | \$ 728,359 | \$ 26,976 | \$ (47,372) | \$ 14,313 | \$ 1,286,090 | \$ 675,465 |

TteS holds 100% ownership or otherwise exerts control over the above entities.

TteS has a 100% investment in Cuwkeltam Leasing Inc., which is an inactive corporation. The total investment at March 31, 2015 is \$1 (2014 - \$1) (note 7).

TteS also has a 100% investment in Kamloopa Property Management Association, which is an inactive association.

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

11. Landfill remediation liability:

TteS operates one landfill located on Paul Lake Road. TteS has recognized a liability of \$80,637 related to closure and post-closure costs at March 31, 2015 (2014 - \$200,000). The estimated liability is recognized as the landfill site's capacity is used. The reported liability represents management's best estimate of the present value of the expected future cash flows as at March 31, 2015, prorated based on the ratio of currently utilized capacity to the total estimated landfill capacity (see table below). Present value of future cash flows for total landfill closure and post-closure care costs is estimated to be \$577,363.

The estimated years until planned closure, remaining capacity and life of the landfill site are as follows:

| Paul Lake Road | |
|---------------------------------------|---------------|
| Closure date | 2092 |
| Future costs | \$ 14,412,608 |
| Present value of future costs | \$ 577,363 |
| Total capacity (m3) | 180,000 |
| Deposited to date (m3) | 25,000 |
| Utilization of total capacity to date | 14% |

Once the landfill is closed, post-closure care is estimated to occur annually over 25 years. Estimated closure and post-closure costs have been adjusted for inflation using a rate of 2.0% per year, and the present value has been calculated using a 4.0% discount rate.

The reported liability is based on estimates and assumptions with respect to anticipated events over the expected remaining service life of the landfill of 78 years, using the best information available to management. Changes in the liability could result from new technology, settling of waste or changes in fill rates, changes in the closure plan, regulatory requirements, inflation rates and interest rates. Future events may result in significant changes to the estimated timelines, total expenditures, capacity used or total capacity and the resulting estimated landfill remediation liability. Any change in the liability for cumulative capacity used, which could be material, would be recognized prospectively as a change in estimate, when applicable. Management periodically performs an assessment of the underlying assumptions related to the reported liability.

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

12. Deferred revenue:

Deferred revenue is comprised of monies received for the following programs or purposes, in which the related expenses have not yet been incurred:

| | 2014 | Prior Year Reimbursement (Recovery)/ Transfers | Funding Received | Revenue Recognized | 2015 |
|--|--------------|---|---------------------|-----------------------|--------------|
| AANDC contributions: | | | | | |
| Due diligence support | \$ 17,331 | \$ - | \$ - | \$ (17,331) | \$ - |
| Other contributions: | | | | | |
| Forestry contribution revenue sharing agreement | 1,235,792 | - | 498,294 | (287,282) | 1,446,804 |
| Land acquisitions | 1,935,000 | - | 30,651 | - | 1,965,651 |
| First Nations environmental contamination | 6,250 | - | - | - | 6,250 |
| First Nations Health Authority | 6,250 | - | - | - | 6,250 |
| Unearned business licences | 76,808 | - | 101,628 | (104,305) | 74,131 |
| Unearned lease rental | 842,882 | - | 2,358,909 | (2,321,525) | 880,266 |
| Sk'elep school | 324,990 | - | 832,539 | (809,248) | 348,281 |
| Environmental security funds | 179,068 | - | 14,300 | (5,418) | 187,950 |
| Economic and Community Development contributions | 323,646 | - | 750,473 | (72,845) | 1,001,274 |
| Other unearned revenue | 145,899 | - | 738,824 | (152,807) | 731,916 |
| | 5,076,585 | - | 5,325,618 | (3,753,430) | 6,648,773 |
| | \$ 5,093,916 | \$ - | \$ 5,325,618 | \$ (3,770,761) | \$ 6,648,773 |

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

13. Debt:

| | 2015 | 2014 |
|--|---------------------|---------------------|
| Social Housing: | | |
| ANTCO, mortgages, repayable in monthly instalments ranging from \$2,081 to \$3,831, including interest at rates ranging from 1.67% to 2.11% per annum, secured by AANDC guarantees for 100% of loan amounts outstanding, maturities ranging from April 2018 to August 2019 | \$ 1,265,888 | \$ 949,575 |
| Royal Bank of Canada ("RBC"), mortgages, repayable in monthly instalments ranging from \$1,300 to \$4,687, including interest at rates ranging from 2.59% to 3.91% per annum, secured by AANDC guarantees for 100% of loan amounts outstanding, maturities ranging from March 2015 to February 2017 | 1,303,247 | 1,473,454 |
| RBC, mortgages, repaid during the year | - | 464,386 |
| TteS Term Loans and Other: | | |
| RBC, term loans (available to a maximum of \$5,911,743), repayable in monthly instalments ranging from \$3,910 to \$20,170, including interest on two loans at the RBC prime rate plus 0.25% per annum (2015 - 3.10%) and interest on two loans at rates ranging from 2.99% to 3.79% per annum, maturities ranging from August 2015 to August 2017 | 4,327,842 | 5,703,003 |
| RBC, line of credit, repaid during the year | - | 35,000 |
| | \$ 6,896,977 | \$ 8,625,418 |

Scheduled principal repayments due in the next five years are approximately as follows:

| | |
|------|---------------------|
| 2016 | \$ 5,139,680 |
| 2017 | 757,064 |
| 2018 | 198,357 |
| 2019 | 661,983 |
| 2020 | 139,893 |
| | \$ 6,896,977 |

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

13. Debt (continued):

Total interest paid on debt for the year was \$239,780 (2014 - \$241,286).

The RBC facilities include a line of credit to a maximum of \$300,000 (2014 - \$300,000), which bears interest at the RBC prime rate plus 0.5% per annum (2015 - 3.35%).

The RBC line of credit and term loans are secured by a general security agreement constituting a first ranking security interest in all personal property of TteS as well as a first ranking security interest in all sales tax revenues and other income or monies payable to TteS by the Government of Canada.

As of March 31, 2015, TteS was past due on a RBC Social Housing mortgage in the amount of \$202,394. Subsequent to year end, the mortgage was paid in full through a transfer to another lender. As a result of the subsequent repayment, RBC has not imposed any penalty for the default.

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

14. Tangible capital assets:

| Cost | 2014 | Additions | Disposals/ transfers | 2015 |
|---|----------------------|-------------------|-------------------------|----------------------|
| TteS capital: | | | | |
| Land | \$ 913,225 | \$ - | \$ - | \$ 913,225 |
| Automotive | 2,250,132 | - | - | 2,250,132 |
| Buildings | 14,668,228 | 8,250 | - | 14,676,478 |
| Computer equipment | 1,832,250 | 48,543 | - | 1,880,793 |
| Equipment | 1,319,891 | 18,403 | - | 1,338,294 |
| Fencing and other land improvements | 3,469,464 | - | - | 3,469,464 |
| Furniture and fixtures | 704,209 | 3,721 | - | 707,930 |
| Property and equipment, recorded at appraised values | 3,545,768 | - | - | 3,545,768 |
| Roadways, sewer and water systems | 29,286,437 | 102,877 | - | 29,389,314 |
| Total TteS capital | 57,989,604 | 181,794 | - | 58,171,398 |
| Social Housing: | | | | |
| Land | 477,386 | - | - | 477,386 |
| Buildings and fixtures | 7,804,091 | - | - | 7,804,091 |
| Total Social Housing | 8,281,477 | - | - | 8,281,477 |
| Total | \$ 66,271,081 | \$ 181,794 | \$ - | \$ 66,452,875 |

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

14. Tangible capital assets (continued):

| Accumulated amortization | 2014 | Amortization | Disposals | 2015 |
|--|----------------------|---------------------|-------------|----------------------|
| TteS capital: | | | | |
| Automotive | \$ 1,810,932 | \$ 131,760 | \$ - | \$ 1,942,692 |
| Buildings | 6,317,440 | 334,361 | - | 6,651,801 |
| Computer equipment | 1,702,862 | 81,575 | - | 1,784,437 |
| Equipment | 813,988 | 104,352 | - | 918,340 |
| Fencing and other land improvements | 2,037,121 | 57,294 | - | 2,094,415 |
| Furniture and fixtures | 489,692 | 43,647 | - | 533,339 |
| Property and equipment, recorded at appraised values | 3,109,898 | 17,435 | - | 3,127,333 |
| Roadways, sewer and water systems | 10,367,844 | 1,040,617 | - | 11,408,461 |
| Total TteS capital | 26,649,777 | 1,811,041 | - | 28,460,818 |
| Social Housing: | | | | |
| Buildings and fixtures | 3,058,048 | 318,281 | - | 3,376,329 |
| Total Social Housing | 3,058,048 | 318,281 | - | 3,376,329 |
| Total | \$ 29,707,825 | \$ 2,129,322 | \$ - | \$ 31,837,147 |

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

14. Tangible capital assets (continued):

| Net book value | 2014 | 2015 |
|--|----------------------|----------------------|
| TteS capital: | | |
| Land | \$ 913,225 | \$ 913,225 |
| Automotive | 439,200 | 307,440 |
| Buildings | 8,350,788 | 8,024,677 |
| Computer equipment | 129,388 | 96,356 |
| Equipment | 505,903 | 419,954 |
| Fencing and other land improvements | 1,432,343 | 1,375,049 |
| Furniture and fixtures | 214,517 | 174,591 |
| Property and equipment, recorded at appraised values | 435,870 | 418,435 |
| Roadways, sewer and water systems | 18,918,593 | 17,980,853 |
| Total TteS capital | 31,339,827 | 29,710,580 |
| Social Housing: | | |
| Land | 477,386 | 477,386 |
| Buildings and fixtures | 4,746,043 | 4,427,762 |
| Total Social Housing | 5,223,429 | 4,905,148 |
| Total | \$ 36,563,256 | \$ 34,615,728 |

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

14. Tangible capital assets (continued):

| Cost | 2013 | Additions | Disposals/ transfers | 2014 |
|--|----------------------|---------------------|-------------------------|----------------------|
| TteS capital: | | | | |
| Land | \$ 913,225 | \$ - | \$ - | \$ 913,225 |
| Automotive | 2,250,132 | - | - | 2,250,132 |
| Buildings | 14,668,228 | - | - | 14,668,228 |
| Computer equipment | 1,823,663 | 8,587 | - | 1,832,250 |
| Equipment | 1,266,628 | 53,263 | - | 1,319,891 |
| Fencing and other land improvements | 3,469,464 | - | - | 3,469,464 |
| Furniture and fixtures | 703,452 | 757 | - | 704,209 |
| Property and equipment recorded at appraised values | 3,545,768 | - | - | 3,545,768 |
| Roadways, sewer and water systems | 17,079,582 | 38,854 | 12,168,001 | 29,286,437 |
| Wastewater system under construction | 10,538,821 | 1,629,180 | (12,168,001) | - |
| Total TteS capital | 56,258,963 | 1,730,641 | - | 57,989,604 |
| Social Housing: | | | | |
| Land | 477,386 | - | - | 477,386 |
| Buildings and fixtures | 7,804,091 | - | - | 7,804,091 |
| Total Social Housing | 8,281,477 | - | - | 8,281,477 |
| Total | \$ 64,540,440 | \$ 1,730,641 | \$ - | \$ 66,271,081 |

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

14. Tangible capital assets (continued):

| Accumulated amortization | 2013 | Amortization | Disposals | 2014 |
|---|----------------------|---------------------|-------------|----------------------|
| TteS capital: | | | | |
| Automotive | \$ 1,622,704 | \$ 188,228 | \$ - | \$ 1,810,932 |
| Buildings | 5,969,490 | 347,950 | - | 6,317,440 |
| Computer equipment | 1,577,775 | 125,087 | - | 1,702,862 |
| Equipment | 694,170 | 119,818 | - | 813,988 |
| Fencing and other land improvements | 1,977,440 | 59,681 | - | 2,037,121 |
| Furniture and fixtures | 436,158 | 53,534 | - | 489,692 |
| Property and equipment recorded at appraised values | 3,091,737 | 18,161 | - | 3,109,898 |
| Roadways, sewer and water systems | 9,518,004 | 849,840 | - | 10,367,844 |
| Wastewater system under construction | - | - | - | - |
| Total TteS capital | 24,887,478 | 1,762,299 | - | 26,649,777 |
| Social Housing: | | | | |
| Buildings and fixtures | 2,756,748 | 301,300 | - | 3,058,048 |
| Total Social Housing | 2,756,748 | 301,300 | - | 3,058,048 |
| Total | \$ 27,644,226 | \$ 2,063,599 | \$ - | \$ 29,707,825 |

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

14. Tangible capital assets (continued):

| Net book value | 2013 | 2014 |
|---|----------------------|----------------------|
| TteS capital: | | |
| Land | \$ 913,225 | \$ 913,225 |
| Automotive | 627,428 | 439,200 |
| Buildings | 8,698,738 | 8,350,788 |
| Computer equipment | 245,888 | 129,388 |
| Equipment | 572,458 | 505,903 |
| Fencing and other land improvements | 1,492,024 | 1,432,343 |
| Furniture and fixtures | 267,294 | 214,517 |
| Property and equipment recorded at appraised values | 454,031 | 435,870 |
| Roadways, sewer and water systems | 7,561,578 | 18,918,593 |
| Wastewater system under construction | 10,538,821 | - |
| Total TteS capital | 31,371,485 | 31,339,827 |
| Social Housing: | | |
| Land | 477,386 | 477,386 |
| Buildings and fixtures | 5,047,343 | 4,746,043 |
| Total Social Housing | 5,524,729 | 5,223,429 |
| Total | \$ 36,896,214 | \$ 36,563,256 |

a) Assets under construction

The value of tangible capital assets under construction during the year is \$nil (2014 - \$nil).

b) Write-down of tangible capital assets

The write-down of tangible capital assets during the year was \$nil (2014 - \$nil).

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

15. Accumulated surplus:

Accumulated surplus consists of individual fund surpluses and reserves as follows:

| | 2015 | 2014 |
|---|----------------------|----------------------|
| Restricted cash and cash equivalents (note 2) | \$ 6,109,270 | \$ 3,549,499 |
| Funded reserves (note 3) | 536,599 | 519,466 |
| Ottawa Trust Fund capital account | - | 355,110 |
| Financial assets restricted to discharge financial liabilities: | | |
| Equity in deficit of government business enterprises (note 10) | - | 1,215,302 |
| Deferred revenue AANDC contributions (note 12) | - | 17,331 |
| Investment in partnerships (note 8) | 657,522 | 489,641 |
| Investment in government business enterprises (note 10) | 70,788 | - |
| Investment in tangible capital assets | 27,718,751 | 27,972,838 |
| Internally restricted surplus: | | |
| Replacement reserve from Phases 4-7 and 9 | 99,441 | 99,441 |
| Debt repayment | 6,896,977 | 8,590,418 |
| Externally restricted surplus (note 21) | 168,204 | 168,204 |
| | 42,257,552 | 42,977,250 |
| Accumulated operating surplus | 3,261,100 | 256,151 |
| | \$ 45,518,652 | \$ 43,233,401 |

16. Economic dependence:

TteS receives a major portion of its revenue pursuant to a funding arrangement with AANDC. Any disruption in this funding could have a negative effect on TteS' operations.

17. Contingencies:

(a) Ministerial guarantees

As at March 31, 2015, TteS is contingently liable for ministerial guarantees provided to individual TteS members for loans made by various financial institutions totaling \$1,897,930 (2014 - \$2,094,251) for purposes of acquiring on-reserve housing. In the event that TteS members default on their obligations under these loans, TteS would be required to pay the outstanding loan balance to the lenders. TteS' guarantee is secured by the related real properties. All loans are in good standing as at March 31, 2015.

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

17. Contingencies (continued):

(b) Douglas reserve litigation

TteS has identified ongoing future legal costs for a lawsuit brought against the Government of British Columbia and the Government of Canada to recover land, originally granted to TteS by Governor James Douglas in the mid-1800's. The trial which was scheduled to commence in November 2012 has been adjourned generally to allow discussions towards a potential settlement; negotiations are still ongoing.

(c) Hazardous materials

TteS has identified potential obligations relating to the removal and disposal of environmentally hazardous materials in certain facilities held by TteS. Such potential obligations would be incurred only upon major renovations or demolition of the site in the future. No liability has been recognized in these consolidated financial statements as there are currently no plans for such renovations or demolition; a settlement date is therefore indeterminate, and the fair value cannot be reasonably estimated at this time.

(d) Ministry of Transportation funds held in trust

TteS is disputing the amount of compensation receivable for use of land by the British Columbia Ministry of Transportation for a highway. Monies in the amount of \$200,350 (2014 - \$197,866) held in trust by a law firm on behalf of TteS are not recorded as an asset in the consolidated statement of financial position pending resolution of the dispute. The final compensation amount is not determinable.

(e) Residential Day School Scholars Class Action Lawsuit

TteS is a plaintiff in a proposed Day School Scholars Class Action Lawsuit on behalf of the Residential School Day Scholars. The class action was certified in June 2015 and negotiations have commenced. The outcome of the lawsuit is unknown. If the court decision is in favour of the plaintiff, all or part of the legal fees will be reimbursed to TteS.

(f) Spiyu7ullucw Ranch Corporation guarantee

TteS has provided a guarantee and postponement of claim to Spiyu7ullucw Ranch Corporation for its long-term debt. As at March 31, 2015, the balance of the debt was \$16,873 (2014 - \$62,556).

(g) Letters of guarantee

TteS is contingently liable with respect to two individual \$50,000 letters of guarantee issued by RBC in favour of Her Majesty the Queen for a timber permit, and in favour of the City of Kamloops for the November 12, 1996 Sanitary Effluent agreement.

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

18. Employee future benefits:

TteS matches employee contributions to a defined contribution plan, which is administered by Manulife. The total pension expense, representing employer contributions to the plan, for the year was \$359,045 (2014 - \$364,624).

19. Segmented information:

Segmented information has been identified based upon lines of service provided by TteS. TteS services are provided by departments and their activities are reported by functional area in the consolidated statement of operations and accumulated surplus. Certain lines of service that have been separately disclosed in the segmented information, along with a description of the services, are as follows:

(a) Administration

Administration provides the functions of corporate administration, finance, human resources, and any other functions not categorized to a specific department.

(b) Legal

Legal provides the function to protect and advance the rights of TteS, provide justice programs and services, and promote respect for TteS rights and title.

(c) Band council

Band council encompasses the costs and services provided by Chief and Council to TteS.

(d) Chief Louis Centre

The Chief Louis Centre houses the TteS museum and other commercial lots.

(e) Sk'elep School

Sk'elep School is responsible for administering and operating an on-reserve school of elementary grades (full time kindergarten to grade seven), with a vision of combining tradition with the tactics of modern education in order to provide TteS members' children with an encompassing future.

(f) Housing

Housing provides construction, renovations and capital maintenance programs that service the needs of its members.

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

19. Segmented Information (continued):

(g) Social development

Social development offers a broad range of services and social programs to TteS members, including income assistance, homemaking for elders and disabled, book/video library, youth programs, counselling and/or referrals (individuals and families), parenting programs, community health representatives, and recreational programming. As well, social development funds, coordinates and delivers many community events including women's retreat, community dinners, annual picnics, and holiday themed events.

(h) Natural resources

Natural resources operates natural and cultural resource related projects.

(i) Property tax, land and leases

Property tax is responsible for the levy and collection of tax and fees for designated lands and leasehold interest.

Land and leases administers the leasing of Tk'emlúps land through a business opportunity analysis, leasing application and/or development approval process.

(j) Social housing

Social housing administers services to provide social housing to TteS members.

(k) Maintenance

Maintenance provides an array of services related to landscaping, security, landfill, custodial and other public works related to the development, maintenance and service of TteS' assets, infrastructure and common property.

(l) Education

Education is responsible for administering and facilitating educational programs, post-secondary education support, and the operations of various other community education programs. Education manages all funds received from AANDC pertaining to students from pre-school to post-secondary.

TK'EMLÚPS TE SECWÉPEMC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

19. Segmented information (continued):

| 2015 | Administration | Band council | Chief Louis Centre | Legal | Social development | Sk'elep school | Education | Property tax | Sub-total |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues: | | | | | | | | | |
| Aboriginal Affairs and Northern Development Canada | \$ 818,295 | \$ 40,285 | \$ 53,147 | \$ 39,000 | \$ 767,847 | \$ 768,968 | \$ 1,598,943 | \$ - | \$ 4,084,483 |
| Administration fees | 50,877 | - | - | - | - | - | - | 7,005 | 57,882 |
| Canada Mortgage and Housing Corporation | - | - | - | - | - | - | - | - | - |
| Capital recovery - sewer | - | - | - | - | - | - | - | - | - |
| Contract revenue | - | - | - | 650 | - | - | - | - | 650 |
| Government business enterprises income (note 10) | 1,286,090 | - | - | - | - | - | - | - | 1,286,090 |
| Health Canada | - | - | - | - | - | - | - | - | - |
| Interest and investment income | 42,739 | - | - | - | - | - | - | 51,663 | 94,402 |
| Kamloops Indian Band (K.I.B.) Sales Tax | 1,871,495 | - | - | - | - | - | - | - | 1,871,495 |
| Lease and rental income | - | - | 90,170 | - | - | - | - | - | 90,170 |
| Management fees | 580,131 | - | - | - | - | - | - | - | 580,131 |
| Partnership income (note 8) | 12,413 | - | - | - | - | - | - | - | 12,413 |
| Property taxation | - | - | - | - | - | - | - | 6,016,583 | 6,016,583 |
| Province of British Columbia | - | - | - | - | 247,561 | 809,248 | 229,141 | - | 1,285,950 |
| User fees and other | 130,069 | 24,816 | 400 | 1,059 | 374,678 | 92,620 | 512,911 | 179,878 | 1,316,429 |
| Total revenues | 4,792,109 | 65,101 | 143,717 | 40,709 | 1,390,084 | 1,668,834 | 2,340,995 | 6,255,129 | 16,696,678 |
| Expenses: | | | | | | | | | |
| Salaries, wages and employee benefits | 1,543,349 | 674,052 | - | 4,981 | 597,417 | 1,365,255 | 1,097,809 | 97,088 | 5,379,761 |
| Operating expenses | 1,266,325 | 307,110 | 307,599 | 488,549 | 1,062,499 | 443,557 | 1,917,368 | 2,625,637 | 8,418,644 |
| Amortization | - | - | - | - | - | 17,718 | - | - | 17,718 |
| Total expenses | 2,809,674 | 981,162 | 307,599 | 493,530 | 1,659,916 | 1,826,530 | 3,014,977 | 2,722,735 | 13,816,123 |
| Annual surplus (deficit) | \$ 1,982,435 | \$ (916,061) | \$ (163,882) | \$ (452,821) | \$ (269,832) | \$ (157,698) | \$ (673,982) | \$ 3,532,394 | \$ 2,880,555 |

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

19. Segmented information (continued):

| 2015 (continued) | Sub-total (previous page) | Land and leases | Housing | Maintenance | Natural resources | Social housing | Amortization - capital fund | Other | Total |
|---|---------------------------------|---------------------|---------------------|---------------------|----------------------|---------------------|--------------------------------|-------------------|-------------------|
| Revenues: | | | | | | | | | |
| Aboriginal Affairs and Northern Development Canada | \$ 4,084,483 | \$ 581,843 | \$ 97,308 | \$ 619,359 | \$ - | \$ - | \$ - | \$ - | \$ 5,382,993 |
| Administration fees | 57,882 | 111,083 | - | - | - | - | - | - | 168,965 |
| Canada Mortgage and Housing Corporation | - | - | 123,253 | - | - | 232,008 | - | - | 355,261 |
| Capital recovery - sewer | - | - | - | 75,000 | - | - | - | - | 75,000 |
| Contract revenue | 650 | 89,008 | - | 452,191 | - | - | - | - | 541,847 |
| Government business enterprises income (note 10) | 1,288,090 | - | - | - | - | - | - | - | 1,288,090 |
| Health Canada | - | - | - | 13,085 | - | - | - | - | 13,085 |
| Interest and investment income | 94,402 | - | 12 | 104,300 | - | - | - | 19,553 | 218,267 |
| Kamloops Indian Band (K.I.B.) Sales Tax | 1,871,495 | - | - | - | - | - | - | - | 1,871,495 |
| Lease and rental income | 90,170 | 2,459,378 | - | - | 32,314 | 430,199 | - | - | 3,012,061 |
| Management fees | 580,131 | - | - | - | - | - | - | - | 580,131 |
| Partnership income (note 8) | 12,413 | - | - | - | - | - | - | - | 12,413 |
| Property taxation | 8,016,583 | - | - | - | - | - | - | - | 8,016,583 |
| Province of British Columbia | 1,285,950 | - | - | - | 389,298 | - | - | 360,128 | 2,035,374 |
| User fees and other | 1,316,429 | 118,281 | 29,870 | 918,189 | 14,884 | - | - | - | 2,397,633 |
| Total revenues | 16,698,678 | 3,359,591 | 250,443 | 2,182,104 | 436,474 | 682,207 | - | 379,681 | 23,967,178 |
| Expenses: | | | | | | | | | |
| Salaries, wages and employee benefits | 5,379,761 | 520,417 | 270,278 | 1,767,157 | 250,043 | - | - | - | 8,187,656 |
| Operating expenses | 8,418,644 | 423,338 | 711,288 | 1,108,873 | 229,015 | 487,940 | - | 6,053 | 11,364,949 |
| Amortization | 17,718 | - | - | - | - | 318,281 | 1,793,323 | - | 2,129,322 |
| Total expenses | 13,816,123 | 943,755 | 981,564 | 2,875,830 | 479,058 | 786,221 | 1,793,323 | 6,053 | 21,681,927 |
| Annual surplus (deficit) | \$ 2,880,555 | \$ 2,415,836 | \$ (731,121) | \$ (693,726) | \$ (42,584) | \$ (124,014) | \$ (1,793,323) | \$ 373,628 | 2,285,251 |

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

19. Segmented information (continued):

| 2014 | Administration | Band council | Chief Louis Centre | Legal | Social development | Sk'elep school | Education | Property tax | Sub-total |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|------------------|---------------------|---------------------|-------------------|
| Revenues: | | | | | | | | | |
| Aboriginal Affairs and Northern Development Canada | \$ 821,283 | \$ 40,285 | \$ 28,644 | \$ - | \$ 789,326 | \$ 834,463 | \$ 1,884,780 | \$ - | \$ 4,198,761 |
| Administration fees | 13,459 | - | - | - | - | - | - | 4,690 | 18,149 |
| Canada Mortgage and Housing Corporation | - | - | - | - | - | - | - | - | - |
| Capital recovery - sewer | - | - | - | - | - | - | - | - | - |
| Contract revenue | - | - | - | 9,350 | - | - | - | - | 9,350 |
| Government business enterprises income (note 10) | 675,465 | - | - | - | - | - | - | - | 675,465 |
| Health Canada | - | - | - | - | - | - | - | - | - |
| Interest and investment income | 19,594 | - | - | - | - | - | - | 24,025 | 43,618 |
| Kamloops Indian Band (K.I.B.) Sales Tax | 1,672,665 | - | - | - | - | - | - | - | 1,672,665 |
| Lease and rental income | - | - | 47,746 | - | - | - | - | - | 47,746 |
| Management fees | 548,199 | - | - | - | - | - | - | - | 548,199 |
| Partnership Income (note 8) | 232,443 | - | - | - | - | - | - | - | 232,443 |
| Property taxation | - | - | - | - | - | - | - | 5,917,903 | 5,917,903 |
| Province of British Columbia | - | - | - | 20,000 | 247,561 | 720,300 | 317,903 | - | 1,305,764 |
| User fees and other | 270,612 | 34,000 | - | 24,945 | 301,346 | 119,018 | 501,516 | 171,412 | 1,422,849 |
| Total revenues | 4,263,720 | 74,285 | 76,390 | 54,295 | 1,338,233 | 1,673,781 | 2,504,179 | 6,118,030 | 16,092,913 |
| Expenses: | | | | | | | | | |
| Salaries, wages and employee benefits | 1,627,676 | 679,479 | - | 189,259 | 629,848 | 1,291,815 | 1,204,472 | 107,937 | 5,730,486 |
| Operating expenses | 1,121,099 | 268,352 | 339,793 | 537,456 | 972,073 | 367,884 | 1,825,620 | 2,592,492 | 8,024,769 |
| Amortization | - | - | - | - | - | 12,989 | - | - | 12,989 |
| Total expenses | 2,748,775 | 947,831 | 339,793 | 726,715 | 1,601,921 | 1,672,688 | 3,030,092 | 2,700,429 | 13,768,244 |
| Annual surplus (deficit) | \$ 1,504,945 | \$ (873,546) | \$ (263,403) | \$ (672,420) | \$ (263,688) | \$ 1,093 | \$ (525,913) | \$ 3,417,601 | 2,324,669 |

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

19. Segmented information (continued):

| 2014 (continued) | Sub-total (previous page) | Land and leases | Housing | Maintenance | Natural resources | Social housing | Amortization - capital fund | Other | Total |
|---|---------------------------------|---------------------|---------------------|-------------------|----------------------|--------------------|--------------------------------|-------------------|---------------------|
| Revenues: | | | | | | | | | |
| Aboriginal Affairs and Northern Development Canada | \$ 4,198,761 | \$ 571,183 | \$ 110,829 | \$ 426,305 | \$ - | \$ - | \$ - | \$ - | \$ 5,306,878 |
| Administration fees | 18,149 | 110,080 | - | - | - | - | - | - | 128,229 |
| Canada Mortgage and Housing Corporation | - | - | 50,927 | - | - | 231,737 | - | - | 282,664 |
| Capital recovery - sewer | - | - | - | 2,000,000 | - | - | - | - | 2,000,000 |
| Contract revenue | 9,350 | - | - | 584,632 | - | - | - | - | 593,882 |
| Government business enterprises income (note 10) | 675,465 | - | - | - | - | - | - | - | 675,465 |
| Health Canada | - | - | - | 12,375 | - | - | - | - | 12,375 |
| Interest and investment income | 43,819 | - | 10 | 105 | - | - | - | 175,061 | 218,795 |
| Kamloops Indian Band (K.I.B.) Sales Tax | 1,672,665 | - | - | - | - | - | - | - | 1,672,665 |
| Lease and rental income | 47,746 | 2,430,144 | - | - | 33,175 | 422,566 | - | - | 2,833,621 |
| Management fees | 548,199 | - | - | - | - | - | - | - | 548,199 |
| Partnership income (note 8) | 232,443 | - | - | - | - | - | - | - | 232,443 |
| Property taxation | 5,917,903 | - | - | - | - | - | - | - | 5,917,903 |
| Province of British Columbia | 1,305,764 | - | - | - | 276,568 | - | - | 40,000 | 1,622,332 |
| User fees and other | 1,422,849 | 116,544 | 41,013 | 803,482 | 97,166 | - | - | - | 2,481,054 |
| Total revenues | 16,092,913 | 3,227,951 | 202,579 | 3,826,799 | 406,909 | 654,293 | - | 215,061 | 24,626,505 |
| Expenses: | | | | | | | | | |
| Salaries, wages and employee benefits | 5,730,486 | 406,444 | 209,849 | 1,731,689 | 288,372 | - | - | - | 8,366,820 |
| Operating expenses | 8,024,769 | 328,199 | 639,050 | 1,499,469 | 240,345 | 449,210 | - | 35,001 | 11,216,043 |
| Amortization | 12,989 | - | - | 243,359 | - | 301,300 | 1,505,951 | - | 2,063,599 |
| Total expenses | 13,768,244 | 734,643 | 848,899 | 3,474,497 | 528,717 | 750,510 | 1,505,951 | 35,001 | 21,646,462 |
| Annual surplus (deficit) | \$ 2,324,669 | \$ 2,493,308 | \$ (646,320) | \$ 352,302 | \$ (121,808) | \$ (96,217) | \$ (1,505,951) | \$ 180,060 | \$ 2,980,043 |

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

20. Related party transactions:

During the year, TteS entered into the following transactions with related entities:

| | 2015 | 2014 |
|--|------------|------------|
| Management fees received from: | | |
| Kamloops Indian Band Development Corporation | \$ 341,019 | \$ 304,587 |
| Tk'emlupsemc Forestry Limited Partnership | 105,000 | 105,000 |
| Spiyu7ullucw Ranch Corporation | 23,004 | 27,504 |
| Kamloops Indian Band Utility Corporation | 111,108 | 111,108 |
| Fuel purchased from: | | |
| Kamloops Indian Band Utility Corporation | 134,855 | 190,418 |
| Office equipment rentals, including photocopier revenues, received from: | | |
| Kamloops Indian Band Utility Corporation | 1,656 | 1,608 |
| Kamloops Indian Band Development Corporation | 1,800 | 1,800 |
| Office rent revenue received from: | | |
| Kamloops Indian Band Development Corporation | 9,581 | 6,001 |
| Tk'emlupsemc Forestry Development Corporation | 2,430 | 2,430 |
| Tk'emlupsemc Forestry Limited Partnership | 22,786 | - |

At March 31, 2015, accounts payable and accrued liabilities includes amounts owed to Kamloops Indian Band Utility Corporation of \$10,886 (2014 - \$22,862).

At March 31, 2015, accounts receivable includes amounts due from Kamloops Indian Band Utility Corporation of \$16,563 (2014 - \$8,081), amounts due from Kamloops Indian Band Development Corporation of \$134 (2014 - \$nil), and amounts due from Tk'emlupsemc Forestry Development Corporation of \$145 (2014 - \$nil).

These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related entities.

21. Restricted surplus:

Under the terms of the contribution agreement between TteS and AANDC, TteS may be liable to repay any capital funds either not expended or not expended in accordance with the agreement. However, capital funds not expended can be transferred and applied to other capital projects with AANDC's approval. At March 31, 2015, the Capital Fund had a restricted capital surplus (CPMS project number 7747) of \$168,204 (2014 - \$168,204).

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

22. Comparative information:

Certain 2014 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.