

**MUSHUAU INNU FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014**

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INDEPENDENT AUDITORS' REPORT

To the Chief and Council of the
Mushuau Innu First Nation

We have audited the accompanying consolidated financial statements of the Mushuau Innu First Nation, which comprise the statement of financial position as at March 31, 2014 and the statements of operations, change in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Basis for Qualified Opinion

Our examination indicated that there were weaknesses in internal controls over the identification and invoicing of re-billable items for fuel sales, services, rent and electricity. Based upon our examination, it was not possible to determine whether all items were invoiced or whether all invoices were recorded in the accounting records. Accordingly we were unable to determine whether adjustments to revenue, accounts receivable, and excess of expenditures over revenue might be necessary.

Canadian Public Sector Accounting Standards require that the expected future cost of landfill remediation cost be accrued in the entity's financial statements. The First Nation has not made an assessment of this liability thus it is not reflected in these statements. Accordingly we were unable to determine whether adjustments to expenditures, accrued liabilities, and excess of expenditures over revenue might be necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Mushuau Innu First Nation as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Other Matters

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. Without modifying our opinion, we draw attention to note 2 to the financial statements which states that the Mushuau Innu First Nation includes certain financial information that is not required by the Canadian Public Sector Accounting Standards. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

St John's, Newfoundland and Labrador

November 21, 2014


Chartered Accountants

Mushuau Innu First Nation
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Labrador, NL A0P1A0

Mushuau Innu Government Vision Statement

To provide good government, that responds to the needs of the people and fosters unity,
understanding and fairness to the Mushuau Innu

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Mushuau Innu First Nation and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgements of management

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

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements

The Council meets periodically with management as well as the external auditors to discuss internal controls over financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report

The external auditors Gardner Coombs Winsor Coombs, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to the financial management of Mushuau Innu First Nation and meet when required

On behalf of the Mushuau Innu First Nation

Chief

Chief Financial Officer

Gardner Coombs
Winsor Coombs

Chartered Accountants

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**MUSHUAU INNU FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2014**

FINANCIAL ASSETS

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents		
Trust funds held by federal government (Note 3)	\$ 1,156,347	\$ 1,823,053
Accounts receivable (Note 4)	102,554	-
Due from government (Note 6)	999,983	831,448
Inventory for resale (Note 5)	5,479,026	4,205,641
Investments in government business enterprises (Note 7)	254,479	162,283
	<u>13,101,999</u>	<u>10,476,913</u>
	<u>21,094,388</u>	<u>17,499,318</u>

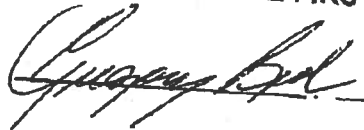
LIABILITIES

Demand loan (Note 8)	195,000	500,000
Payables and accruals (Note 9)	4,470,513	4,636,578
Due to government (Note 10)	1,961,173	2,704,972
Due to Sheshatshiu and Mushuau Innu First Nation Trust (Note 11)	750,000	786,876
Deferred revenue (Note 13)	507,370	567,771
Due to related parties (Note 14)	1,476,793	1,787,056
Long-term debt (Note 12)	<u>1,437,017</u>	<u>2,482,971</u>
	<u>10,797,866</u>	<u>13,476,024</u>
Contingent liabilities (Note 17)		
Net Financial Assets	<u>10,296,522</u>	<u>4,023,294</u>

NON-FINANCIAL ASSETS

Prepaid expenses	18,712	16,695
Inventory held for use (Note 5)	696,796	760,341
Tangible capital assets (Note 15)	<u>117,793,263</u>	<u>127,688,954</u>
	<u>118,508,771</u>	<u>128,465,990</u>
Accumulated surplus	<u>\$128,805,293</u>	<u>\$132,489,284</u>

ON BEHALF OF THE FIRST NATION



Chief



Councilor

Gardner Coombs
Winsor Coombs

Chartered Accountants

**MUSHUAU INNU FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Budget</u>	<u>2014</u>	<u>2013</u>
Revenue			
Sheshatshiu Innu & Mushuau Innu			
First Nations Trust	\$ 4,338,000	\$ 5,186,517	\$ 8,735,709
Federal government operating transfer (Note 16)	9,988,690	9,400,480	9,171,112
Federal government capital transfer (Note 16)	-	18,260	31,960
Provincial government operating transfer (Note 16)	-	2,105,738	2,614,334
Facilities management revenue	885,000	827,473	695,683
Infrastructure park revenue	612,000	288,678	729,911
Share of income in business enterprises	900,000	4,154,061	3,670,114
Miscellaneous revenues	600,000	107,699	187,334
Innu Development donation	-	200,000	-
Innu Nation	-	536,856	1,228,168
LATP	-	-	470
Rent income - Natuashish Housing Authority	150,000	143,651	160,590
Postal revenue	100,000	75,636	80,409
Gain on disposal of capital assets	-	520,665	-
Interest income	-	14,104	9,088
Total revenue	<u>17,573,690</u>	<u>23,579,818</u>	<u>27,314,882</u>
Expenditure			
Band support	3,373,620	3,172,065	3,683,467
Economic development	64,537	258,797	245,270
Education and training	889,049	2,124,948	2,035,689
Health commission	3,124,234	3,761,467	4,300,241
Natuashish Housing Authority	735,690	4,183,441	4,419,915
Operation and maintenance	6,876,713	10,391,391	10,716,324
Outpost, gatherings and traditional skills	472,000	1,363,943	2,221,607
Recreation and community events	864,013	1,164,704	1,147,398
Social programs	944,571	843,053	672,039
Total expenditure	<u>17,344,427</u>	<u>27,263,809</u>	<u>29,441,950</u>
Annual surplus (deficit)	229,263	(3,683,991)	(2,127,068)
Accumulated surplus, beginning of year	<u>132,489,284</u>	<u>132,489,284</u>	<u>134,616,352</u>
Accumulated surplus, end of year	<u>132,718,547</u>	<u>\$ 128,805,293</u>	<u>\$ 132,489,284</u>

MUSHUAU INNU FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2014

	<u>Budget</u>	<u>2014</u>	<u>2013</u>
Annual surplus (deficit)	\$ 229,263	\$ (3,683,991)	\$ (2,127,068)
Tangible capital assets			
Acquisition of tangible capital assets	-	(287,892)	(5,100,399)
Amortization	-	9,404,250	9,466,179
Proceeds on disposal of capital assets	-	1,300,000	-
Gain on disposal of capital assets	-	(520,667)	-
	229,263	6,211,700	2,238,712
Acquisition of inventory for consumption	-	(2,764,814)	(3,285,498)
Use of inventory held for consumption	-	2,828,359	3,363,135
Acquisition of prepaid expenses	-	(18,712)	(16,695)
Use of prepaid expenses	-	16,695	69,201
Change in net financial assets	229,263	6,273,228	2,368,855
Net financial assets, beginning of year	<u>4,023,294</u>	<u>4,023,294</u>	<u>1,654,439</u>
Net financial assets, end of year	<u>\$ 4,252,557</u>	<u>\$ 10,296,522</u>	<u>\$ 4,023,294</u>

**MUSHUAU INNU FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2014**

Cash provided by (used for)

	<u>2014</u>	<u>2013</u>
Operating activities		
Annual surplus (deficit)	\$ (3,683,991)	\$ (2,127,068)
Amortization	9,404,250	9,466,179
Proceeds on disposal of capital assets	1,300,000	-
Gain on disposal of capital assets	<u>(520,667)</u>	<u>-</u>
Net change in non-cash working capital balances (Note 18)	(2,892,369)	1,986,377
Share of loss (income) in business enterprises	<u>(4,154,061)</u>	<u>(3,670,114)</u>
	<u>(546,838)</u>	<u>5,655,374</u>
Capital		
Capital expenditures	<u>(287,892)</u>	<u>(5,100,399)</u>
Financing activities		
Proceeds (Repayment) of demand loan	(305,000)	40,000
Forgiveness of loan	(40,001)	(40,000)
Proceeds from long term debt	-	-
Repayment of long-term debt	<u>(1,015,953)</u>	<u>(694,780)</u>
	<u>(1,360,954)</u>	<u>(694,780)</u>
Investing activity		
Funds received from business enterprises	<u>1,528,978</u>	<u>1,570,118</u>
Increase (decrease) in cash	(666,706)	1,430,313
Cash, beginning of year	<u>1,823,053</u>	<u>392,740</u>
Cash, end of year	<u>\$ 1,156,347</u>	<u>\$ 1,823,053</u>

Interest paid during the year was \$75,226 (2013 - \$112,519)

**MUSHUAU INNU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014**

1. Significant Accounting Policies

a) Basis of Accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants

b) Reporting Entity

The Mushuau Innu First Nation reporting entity includes the Mushuau Innu First Nation government and all related entities that are controlled by the First Nation

c) Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the Consolidated Financial Statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

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

Organizations consolidated in the First Nation's financial statements include

- Mushuau Innu Operations Fund
- Mushuau Innu Relocation Corporation Inc
- Natuashish Housing Authority Inc
- Mushuau Innu Housing Authority Inc
- Mushuau Innu First Nation Community Trust
- Mushuau Innu First Nation Trust

Organizations accounted for on a modified equity basis include

- Innu Development Limited Partnership
- Mushuau Innu Camp and Catering Limited Partnership
- Mushuau Innu Camp and Catering Inc

d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks net of bank overdrafts. Cash subject to internal or external restrictions, if any, are segregated and held until used as intended.

e) Inventories for resale

Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value.

**MUSHUAU INNU FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

1. Significant Accounting Policies (continued)

f) Tangible Capital Assets

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

Tangible capital assets are amortized over their expected useful life using the straight line method at the following rates:

Infrastructure	40 years
Buildings and housing	20 years
Wharf	20 years
Equipment	5 years
Transportation equipment	5 years

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

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Assets under construction are not amortized until the asset is available to be put into service.

g) Inventories held for use

Inventories of fuel held for consumption are recorded at the lower of cost and replacement cost.

h) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

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

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

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

**MUSHUAU INNU FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

1. Significant Accounting Policies (continued)

i) Measurement Uncertainty

In preparing the consolidated financial statements for the First Nation, management is required 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 consolidated financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimates include providing for amortization of tangible capital assets, determining the estimated useful lives of assets and determination of the allowance for doubtful accounts. Actual results could differ from these estimates.

2. Supplementary information

Certain financial information included in the consolidated financial statements and notes to the consolidated financial statements is not required by the Canadian Public Sector Accounting Standards. This information is presented in order to satisfy Aboriginal Affairs and Northern Development Canada and is presented on pages 8 to 8j.

3. Trust funds held by federal government

	<u>2014</u>	<u>2013</u>
Opening balance	\$ -	\$ 232,285
Additions	102,554	5,330
Withdrawals	<u>-</u>	<u>(237,615)</u>
	<u>\$ 102,554</u>	<u>\$ -</u>

The trust funds arise from monies derived from revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

4. Accounts Receivable

	<u>2014</u>	<u>2013</u>
Due from members	\$ 22,299	\$ 63,742
Due from non-members	<u>1,152,823</u>	<u>927,464</u>
	1,175,122	991,206
Less allowance for doubtful accounts	<u>(175,139)</u>	<u>(159,758)</u>
	<u>\$ 999,983</u>	<u>\$ 831,448</u>

5. Inventory

The First Nation sources diesel fuel for use in operations and for sale to third parties. As of year-end, the First Nation estimates that \$254,479 (2013 - \$162,263) will be sold to third parties, and \$696,796 (2013 - \$760,341) will be used in operations.

**MUSHUAU INNU FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

6. Due from governments

	<u>2014</u>	<u>2013</u>
Aboriginal Affairs and Northern Development Canada	\$ 1,639,488	\$ 763,312
Health Canada	1,378,044	54,575
Canada Revenue Agency - HST	395,390	707,380
Service Canada	82,338	144,460
Government of Newfoundland and Labrador	<u>1,983,766</u>	<u>2,535,914</u>
	<u>\$ 5,479,026</u>	<u>\$ 4,205,641</u>

7. Investment in Business Enterprises

The First Nation has a 49.995% interest in the Innu Development Limited Partnership, 99.99% interest in the Mushuau Camp and Catering Limited Partnership and owns 100% of Mushuau Innu Camp and Catering Inc.

The First Nation's investments in government business enterprises consist of the following

	<u>2014</u>	<u>2013</u>
Innu Development Limited Partnership	\$ 10,061,485	\$ 8,167,887
Mushuau Camp and Catering Limited Partnership	3,001,710	2,270,255
Mushuau Innu Camp and Catering Inc	<u>38,804</u>	<u>38,771</u>
Total	<u>13,101,999</u>	<u>10,476,913</u>

Summary draft financial information for the Innu Development Limited Partnership in which the First Nation has a 49.995% interest is as follows

	<u>2014</u>	<u>2013</u>
Cash	\$ 1,268,220	\$ 1,172,078
Accounts Receivable	267,537	249,250
Prepaid expenses	29,783	3,944
Due from Related Parties	5,667,048	5,292,007
Tangible Capital Assets	57,790	61,138
Long Term Investments	11,560,244	8,689,690
Intangible Assets	<u>562,000</u>	<u>562,000</u>
Total Assets	<u>19,412,622</u>	<u>16,030,107</u>
Accounts Payable	<u>25,925</u>	<u>38,704</u>
Total Liabilities	25,925	38,704
Equity	<u>19,386,697</u>	<u>15,991,403</u>
Total Liabilities and Equity	<u>\$ 19,412,622</u>	<u>\$ 16,030,107</u>
Revenue	\$ 10,042,102	\$ 8,515,877
Expenses	<u>3,196,272</u>	<u>2,155,729</u>
Net Income	<u>\$ 6,845,830</u>	<u>\$ 6,360,148</u>

**MUSHUAU INNU FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

7. Investment in Business Enterprises (continued)

Summary draft financial information for the Mushuau Camp and Catering Limited Partnership in which the First Nation has a 99.99% interest is as follows

	<u>2014</u>	<u>2013</u>
Cash	\$ 12,179	\$ 12,265
Due from Related Parties	1,855,533	1,855,533
Long Term Investments	<u>1,389,499</u>	<u>637,022</u>
Total Assets	<u>3,257,211</u>	<u>2,504,820</u>
Accounts Payable	193,942	173,079
Due to Related Parties	<u>60,910</u>	<u>60,910</u>
Total Liabilities	254,852	233,989
Equity	<u>3,002,359</u>	<u>2,270,831</u>
Total Liabilities and Equity	<u>\$ 3,257,211</u>	<u>\$ 2,504,820</u>
Revenue	\$ 622,022	\$ 622,022
Expenses	<u>72</u>	<u>72</u>
Net Income	<u>\$ 621,950</u>	<u>\$ 621,950</u>

Summary draft financial information for Mushuau Innu Camp and Catering Inc. in which the First Nation has a 100% interest is as follows

	<u>2014</u>	<u>2013</u>
Cash	\$ -	\$ -
Due from Related Parties	39,670	39,670
Long Term Investments	<u>649</u>	<u>576</u>
Total Assets	<u>40,319</u>	<u>40,246</u>
Accounts Payable	<u>1,515</u>	<u>1,515</u>
Equity	<u>38,804</u>	<u>38,731</u>
Total Liabilities and Equity	<u>\$ 40,319</u>	<u>\$ 40,246</u>
Revenue	\$ 73	\$ 63
Expenses	<u>-</u>	<u>58</u>
Net Income	<u>\$ 73</u>	<u>\$ 5</u>

**MUSHUAU INNU FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

8. Credit Facilities

The First Nation has a \$500,000 revolving line of credit. As of year-end the balance on this facility was \$195,000 (2013 - \$500,000)

Security for this facility is listed in note 12

9. Accounts payable and accrued liabilities

	<u>2014</u>	<u>2013</u>
Trade payables	\$ 3,719,235	\$ 3,786,973
Accrued salaries and benefits payable	17,046	147,812
Other accrued liabilities	<u>734,232</u>	<u>701,793</u>
	<u>\$ 4,470,513</u>	<u>\$ 4,636,578</u>

10. Due to governments

	<u>2014</u>	<u>2013</u>
Aboriginal Affairs and Northern Development Canada	\$ 860,641	\$ 1,130,702
Health Canada	509,636	453,422
Canada Revenue Agency - Employee deductions payable	<u>590,896</u>	<u>1,120,848</u>
	<u>\$ 1,961,173</u>	<u>\$ 2,704,972</u>

11. Due to Sheshatshiu and Mushuau Innu First Nation Trust

This loan is non-interest bearing with no fixed terms of repayment

12. Long-term Debt

	<u>2014</u>	<u>2013</u>
Bank demand loan bearing interest at 4.68% repayable in monthly blended payments of \$50,545, due in February 2016	\$ 1,110,351	\$ 1,651,004
Bank demand loan bearing interest at prime plus 1.25%	-	-
Interest-free Canada Mortgage and Housing Loan forgivable over 15 years as long as First Nation has used the funds for its intended purpose. During the current year, an amount of \$40,000 was forgiven by CMHC	<u>326,666</u>	<u>366,667</u>
sub-total	<u>1,437,017</u>	<u>2,017,671</u>

**MUSHUAU INNU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014**

12. Long-term Debt (continued)

	2014	2013
sub-total	1,437,017	2,017,671
Bank demand loan bearing interest at prime plus 1% repayable in monthly blended principal payments of \$4,900 plus interest	<u>-</u>	<u>475,300</u>
Total long-term debt	<u>\$ 1,437,017</u>	<u>\$ 2,492,971</u>

As security for the bank loans the First Nation has provided the following

- a) General security agreement
- b) Irrevocable band council resolution to direct distributions from Innu Development Limited Partnership to the bank if requested
- c) Assignment of the net proceeds of the Innu Infrastructure Park Trust

Principal payments required in the next five years to meet debt retirement provisions is as follows

2015	\$606,000
2016	\$584,000
2017	\$ 40,000
2018	\$ 40,000
2019	\$ 40,000

13. Deferred Revenue

	Balance March 31 2013	Funding Received 2014	Revenue Recognized 2014	Balance March 31 2014
AANDC - Capital	\$ 35,972	\$ -	\$ -	\$ 35,972
AANDC - operations	451,246	6,393,948	6,457,990	387,204
Health Canada - operations	8,553	3,124,234	3,124,234	8,553
Restricted Contributions	<u>72,000</u>	<u>8,733,709</u>	<u>8,730,068</u>	<u>75,641</u>
	<u>\$ 567,771</u>	<u>\$ 18,251,891</u>	<u>\$ 18,312,292</u>	<u>\$ 507,370</u>

**MUSHUAU INNU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014**

14. Related Party Transactions

a) Amounts due to (from) related parties were as follows

	<u>2014</u>	<u>2013</u>
Innu Mikun Limited Partnership	\$ 166,132	\$ 795,625
Innu Development Limited Partnership	292,166	292,167
Other related parties	-	(833)
Mushuau Innu General Store Inc	<u>1,018,495</u>	<u>700,097</u>
	<u>\$ 1,476,793</u>	<u>\$ 1,787,056</u>

The First Nation has 99.99% ownership of Mushuau Innu Camp and Catering Limited Partnership which wholly owns Mushuau Innu General Store Inc

The First Nation holds a 49.995% interest in Innu Development Limited Partnership

Innu Development Limited Partnership has a 51% interest in Innu Mikun Limited Partnership

- b) Included in current year expenditures is the amount of \$1,091,888 (2013 - \$1,653,446) paid or payable to related parties
- c) Included in facilities management revenue is the amount of \$142,165 (2013 - \$153,908) received or receivable from a related party
- d) Capital asset additions includes an amount of \$nil (2013 - \$174,940) paid or payable to a related party

15. Tangible Capital Assets

	Cost			Accumulated Amortization			Net Book Value	
	Opening Balance	Additions	Closing Balance	Opening Balance	Amortization	Disposals	Total 2013	Total 2012
Tangible Capital Assets								
Infrastructure	52,053,084		52,053,084	11,377,986	1,301,327	-	39,373,771	40,675,098
Buildings	67,682,155	12,968	66,829,196	27,340,466	3,313,918	85,952	36,260,764	40,341,689
Housing	63,101,635	115,755	63,217,390	25,713,528	3,157,973	-	34,345,889	37,388,107
Wharf	11,229,814		11,229,814	3,930,434	561,490	-	6,737,890	7,299,380
Equipment	9,416,772	114,539	9,531,311	7,699,483	953,282	-	878,546	1,717,289
Transportation equipment	1,028,274	44,629	1,072,903	760,883	115,617	-	196,403	267,391
Total	204,511,734	287,891	203,933,698	76,822,780	9,403,607	85,952	117,793,263	127,688,954

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MUSHUAU INNU FIRST NATION
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16. Government Transfers

	2014		
	Operating	Capital	Total
Aboriginal Affairs and Northern Development Canada	\$ 6,457,992	\$ -	\$ 6,457,992
Health Canada (Note 20)	2,636,255	18,260	2,654,515
Service Canada	266,233	-	266,233
CMHC	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Total	9,400,480	18,260	9,418,740
Provincial transfers	<u>2,105,738</u>	<u>-</u>	<u>2,105,738</u>
	<u>\$ 11,506,218</u>	<u>\$ 18,260</u>	<u>\$ 11,524,478</u>

	2013		
	Operating	Capital	Total
Aboriginal Affairs and Northern Development Canada	\$ 6,041,213	\$ 31,960	\$ 6,073,173
Health Canada	2,630,785	-	2,630,785
Service Canada	401,354	-	401,354
CMHC	<u>97,760</u>	<u>-</u>	<u>97,760</u>
Total	9,171,112	31,960	9,203,072
Provincial transfers	<u>2,614,334</u>	<u>-</u>	<u>2,614,334</u>
	<u>\$ 11,785,446</u>	<u>\$ 31,960</u>	<u>\$ 11,817,406</u>

17. Contingent Liabilities

a) Legal Claims

A number of claims have been made against the First Nation for employment matters. The outcome of these matters is not determinable at the present time. The First Nation has accrued \$35,000 related to these claims. The eventual amount these claims will be settled for is not determinable at the present time. Any future settlements in excess of this accrual will be recorded as expenses in the period settled.

A number of claims have been made against the First Nation by various suppliers and third parties for unpaid invoices and related interest. These claims total \$925,000 while the First Nation has accrued \$670,000 in its records to settle these claims. The eventual amount these claims will be settled for is not determinable at the present time. Any future settlements in excess of this accrual will be recorded as expenses in the period settled.

**MUSHUAU INNU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014**

17. Contingent Liabilities (continued)

b) Repayable funding

During the year Health Canada commissioned an audit of the First Nation for the year ended March 31, 2012. A draft audit report suggested that the First Nation be required to repay a total of \$702,552. After review of the audit the First Nation has accrued \$234,211 of this total as they feel this would be the maximum to be recovered. The First Nation has responded to the audit and this response is being considered by Health Canada. The outcome of this issue is not determinable at the present time.

18. Change in Non-Cash Working Capital Balances

	<u>2014</u>	<u>2013</u>
Trust funds held by federal government	(102,554)	232,285
Accounts receivable	\$ (168,535)	\$ 2,299,848
Due from government	(1,273,385)	494,157
Inventory for resale	(92,216)	30,848
Inventory for consumption	63,545	77,637
Prepaid expenses	(2,017)	52,506
Payables and accruals	(166,068)	(1,807,691)
Due to government	(743,799)	823,182
Due to Sheshatshiu and Mushuau Innu Trust	(36,676)	(213,324)
Deferred revenue	(60,401)	(24,390)
Due to related parties	<u>(310,263)</u>	<u>21,319</u>
	<u>\$ (2,892,369)</u>	<u>\$ 1,986,377</u>

19. Economic Dependence

The First Nation receives a significant portion of its revenues pursuant to funding arrangements with Aboriginal Affairs and Northern Development Canada and Health Canada.

20. Health Canada Revenue

	Set Funding	Projects	Renovations	Total
Opening deferred revenue	\$ -	\$ -	\$ 8,553	\$ 8,553
Funding	3,124,234	-	-	3,124,234
Increase in repayable funding	(56,214)	-	-	(56,214)
Funding recovered	(413,505)	-	-	(413,505)
Ending deferred revenue	<u>-</u>	<u>-</u>	<u>(8,553)</u>	<u>(8,553)</u>
Revenue	<u>\$ 2,654,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,654,515</u>

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**MUSHUAU INNU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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21. Expenses by object

	<u>2014</u>	<u>2013</u>
Wages and employee benefits	\$ 5,774,198	\$ 5,377,942
Supplies	5,290,188	5,107,376
Professional Fees	857,235	928,011
Travel	1,111,062	1,722,958
Other	3,360,358	5,318,811
Repairs and maintenance	908,416	897,810
Community payouts	470,500	510,344
Interest	87,602	112,519
Amortization	<u>9,404,250</u>	<u>9,466,179</u>
	<u>27,263,809</u>	<u>29,441,950</u>

22. Budget

Budgets were prepared for operations funded by Aboriginal and Northern Development Canada, Health Canada, and owned source funds

23. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation

Mushuau Innu First Nation
Notes to the Financial Statements
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24. Segment Disclosure

The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The following table presents the expenses incurred and the revenue generated by main object of expense and by major revenue type. The segment results for the period are as follows

	Education		Health		Economic Development	
	Budget 2014	Actual 2014	Budget 2014	Actual 2014	Budget 2014	Actual 2014
Revenue						
Federal government operating transfers	\$ 388,000	\$ 425,572	\$ 2,910,758	\$ 2,742,083	\$ 65,440	\$ 65,440
Federal government capital transfers	-	-	-	-	-	-
Provincial government operating transfers	-	210,574	-	210,574	-	21,057
Other revenue	520,000	690,867	307,350	440,523	-	21,587
Share of income in business enterprises	-	415,406	27,000	207,703	-	41,541
Total Revenue	888,000	1,742,219	3,245,108	3,800,883	65,440	149,625
Expenditures						
Wages and benefits	178,553	239,613	1,348,334	2,008,994	55,225	52,573
Amortization	-	1,061,484	-	559,909	-	193,202
Interest expense	-	-	-	12,376	-	-
Other expense	710,496	823,950	1,773,680	1,180,187	9,312	13,022
Total Expenses	889,049	2,124,948	3,121,994	3,761,467	64,537	258,797
Annual Surplus (deficit)	\$ (1,049)	\$ (382,729)	\$ 123,112	\$ (160,584)	\$ 903	\$ (109,172)
						\$ 6,104,618

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Chartered Accountants

Mushuau Innu First Nation
Notes to the Financial Statements
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24 Segment Disclosure (continued)

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	Budget 2014	Housing Actual 2014	Actual 2013	Budget 2014	Community Services Actual 2014	Actual 2013	Budget 2014	Governance Actual 2014	Actual 2013
Revenue									
Federal government operating transfers	\$ 182,972	\$ 341,420	\$ 378,119	\$ 5,727,911	\$ 5,050,082	\$ 4,884,292	\$ 733,611	\$ 794,130	\$ 670,553
Federal government capital transfers	-	-	-	-	-	31,980	-	-	-
Provincial government operating transfers	-	526,435	-	-	715,950	-	-	421,148	-
Other revenue	489,500	914,855	3,611,097	3,150,950	4,548,033	5,289,596	2,237,200	1,285,616	2,065,536
Share of income in business enterprises	90,000	1,246,218	-	279,000	1,827,788	-	504,000	415,406	-
Total Revenue	742,472	3,028,928	3,989,216	9,157,861	12,141,863	10,205,848	3,474,811	2,916,300	2,736,089
Expenditures									
Wages and benefits	387,990	477,413	681,964	498,413	1,932,992	1,133,404	1,382,980	1,062,610	986,769
Amortization	-	3,157,976	3,054,385	-	4,209,074	4,314,705	-	222,605	268,850
Interest expense	-	-	-	-	-	-	-	75,226	112,519
Other expense	347,700	548,052	683,586	8,661,124	7,621,023	9,309,260	1,990,640	1,811,627	2,335,330
Total Expenses	735,690	4,183,441	4,419,915	9,159,537	13,763,089	14,757,368	3,373,620	3,172,068	3,683,468
Annual Surplus (deficit)	\$ 6,782	\$ (1,154,513)	\$ (430,699)	\$ (1,676)	\$ (1,621,226)	\$ (4,551,520)	\$ 101,191	\$ (255,768)	\$ (947,379)

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Mushuau Innu First Nation
Notes to the Financial Statements
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24. Segment Disclosure (continued)

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	Budget 2014	Total Actual 2014	Actual 2013
Revenue			
Federal government operating transfers	\$ 9,988,680	\$ 9,418,737	\$ 9,171,113
Federal government capital transfers	-	-	31,960
Provincial government operating transfers	-	2,105,738	2,614,334
Other revenue	6,685,000	7,901,281	11,827,361
Share of income in business enterprises	900,000	4,154,062	3,670,114
Total Revenue	17,573,680	23,579,818	27,314,882
Expenditures			
Wages and benefits	3,851,495	5,774,195	5,377,940
Amortization	-	9,404,250	9,466,179
Interest expense	-	87,602	112,519
Other expense	13,492,932	11,997,762	14,485,313
Total Expenses	17,344,427	27,263,809	29,441,950
Annual Surplus (deficit)	\$ 229,263	\$ (3,683,991)	\$ (2,127,068)

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Winsor Coombs

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