

**MUSHUAU INNU FIRST NATION  
CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016**

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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, 2016 and the statements of operations, change in net financial 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, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Mount Pearl, Newfoundland and Labrador

August 11, 2016

  
Chartered Professional Accountants

## 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 CPA Canada 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.

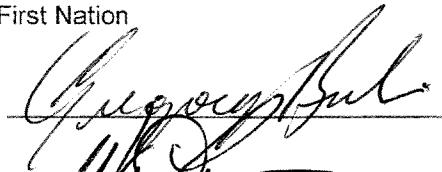
The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

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, 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



DRAFT

**MUSHUAU INNU FIRST NATION  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2016**

**FINANCIAL ASSETS**

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 8,351,182	\$ 2,936,650
Trust funds held by federal government (Note 2)	103,713	102,636
Accounts receivable (Note 3)	3,673,078	3,226,109
Due from government (Note 5)	1,644,472	1,652,695
Inventory for resale (Note 4)	275,800	352,178
Investments in business enterprises (Note 6)	<u>15,494,159</u>	<u>15,051,086</u>
	<u>29,542,404</u>	<u>23,321,354</u>

**LIABILITIES**

Payables and accruals (Note 7)	4,612,266	5,639,507
Due to government (Note 8)	1,142,719	1,128,748
Deferred revenue (Note 10)	1,025,312	312,043
Due to related parties (Note 11)	2,015,117	1,633,019
Long-term debt (Note 9)	<u>3,861,327</u>	<u>830,663</u>
	<u>12,656,741</u>	<u>9,543,980</u>

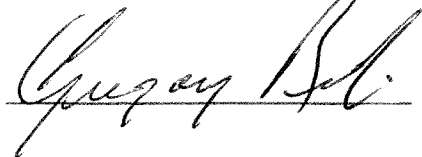
**Contingent liabilities (Note 14)**

<b>Net Financial Assets</b>	<u>16,885,663</u>	<u>13,777,374</u>
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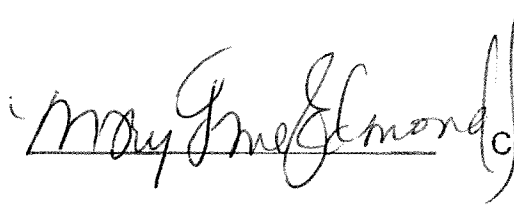
**NON-FINANCIAL ASSETS**

Prepaid expenses	129,416	67,052
Inventory held for use (Note 4)	1,803,151	1,985,313
Tangible capital assets (Note 12)	<u>103,543,148</u>	<u>111,459,512</u>
	<u>105,475,715</u>	<u>113,511,877</u>
<b>Accumulated surplus</b>	<u>\$122,361,378</u>	<u>\$127,289,251</u>

**ON BEHALF OF THE FIRST NATION**



Chief



Councilor

DRAFT

WINSOR COOMBS

**MUSHUAU INNU FIRST NATION  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2016**

	<u>Budget</u>	<u>2016</u>	<u>2015</u>
<b>Revenue</b>			
Federal government operating transfer (Note 13)	9,504,514	10,591,503	9,963,432
Sheshatshiu Innu & Mushuau Innu			
First Nations Trust	\$ 2,936,000	\$ 7,863,992	\$ 13,225,486
Innu Nation	-	2,628,659	681,477
Share of income in business enterprises	1,000,000	2,181,051	4,733,590
Facilities management revenue	925,000	726,193	890,930
Infrastructure park revenue	612,000	612,000	612,000
Rent income - Natuashish Housing Authority	162,000	227,959	156,894
Provincial government operating transfer (Note 13)	-	113,173	96,989
Miscellaneous revenues	-	88,596	15,847
Postal revenue	110,000	64,804	59,594
Interest income	-	6,098	7,301
IDLP donations	-	5,000	-
	<u>15,249,514</u>	<u>25,109,028</u>	<u>30,443,540</u>
<b>Total revenue</b>			
<b>Expenditure</b>			
Band support	2,517,152	3,293,527	4,072,031
Safety and security	-	269,186	-
Economic development	64,537	267,396	247,858
Education and training	733,420	2,053,598	2,107,019
Health commission	3,559,201	5,110,635	4,231,565
Natuashish Housing Authority	709,810	4,491,929	5,045,638
Operation and maintenance	6,547,484	10,393,439	10,044,725
Outpost, gatherings and traditional skills	109,996	1,844,628	2,854,004
Recreation and community events	452,990	1,271,287	1,724,894
Social programs	500,000	1,041,276	1,631,848
	<u>15,194,590</u>	<u>30,036,901</u>	<u>31,959,582</u>
<b>Total expenditure</b>			
<b>Annual surplus (deficit)</b>	54,924	(4,927,873)	(1,516,042)
<b>Accumulated surplus, beginning of year</b>	<u>127,289,251</u>	<u>127,289,251</u>	<u>128,805,293</u>
<b>Accumulated surplus, end of year</b>	<u>127,344,175</u>	<u>\$122,361,378</u>	<u>\$127,289,251</u>

**MUSHUAU INNU FIRST NATION  
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS  
FOR THE YEAR ENDED MARCH 31, 2016**

	<u>Budget</u>	<u>2016</u>	<u>2015</u>
Annual deficit	\$ 54,924	\$ (4,927,873)	\$ (1,516,042)
Tangible capital assets:			
Acquisition of tangible capital assets	-	(1,333,310)	(2,902,187)
Amortization	<u>-</u>	<u>9,249,674</u>	<u>9,235,938</u>
	54,924	2,988,491	4,817,709
Acquisition of inventory for consumption	-	(3,921,418)	(3,550,492)
Use of inventory held for consumption	-	4,103,580	2,261,975
Acquisition of prepaid expenses	-	(129,416)	(67,052)
Use of prepaid expenses	<u>-</u>	<u>67,052</u>	<u>18,712</u>
Change in net financial assets	54,924	3,108,289	3,480,852
<b>Net financial assets, beginning of year</b>	<u>13,777,374</u>	<u>13,777,374</u>	<u>10,296,522</u>
<b>Net financial assets, end of year</b>	<u>\$ 13,832,298</u>	<u>\$ 16,885,663</u>	<u>\$ 13,777,374</u>

**MUSHUAU INNU FIRST NATION  
CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED MARCH 31, 2016**

**Cash provided by (used for)**

	<u>2016</u>	<u>2015</u>
<b>Operating activities</b>		
Annual deficit	\$ (4,927,873)	\$ (1,516,042)
Amortization	9,249,674	9,235,938
Net change in non-cash working capital balances (Note 18)	(161,553)	(286,968)
Share income in business enterprises	<u>(2,181,051)</u>	<u>(4,733,590)</u>
	<u>1,979,197</u>	<u>2,699,338</u>
<b>Capital</b>		
Capital expenditures	<u>(1,333,310)</u>	<u>(2,902,187)</u>
<b>Financing activities</b>		
Repayment of demand loan	-	(195,000)
Forgiveness of long term debt	(286,666)	(40,001)
Proceeds from long term debt	4,000,000	-
Repayment of long-term debt	<u>(682,670)</u>	<u>(566,354)</u>
	<u>3,030,664</u>	<u>(801,355)</u>
<b>Investing activity</b>		
Funds received from business enterprises	<u>1,737,981</u>	<u>2,784,507</u>
<b>Increase in cash</b>	5,414,532	1,780,303
<b>Cash, beginning of year</b>	<u>2,936,650</u>	<u>1,156,347</u>
<b>Cash, end of year</b>	<u>\$ 8,351,182</u>	<u>\$ 2,936,650</u>

Interest paid during the year was \$72,651 (2015 - \$40,186)



**MUSHUAU INNU FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016**

**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, 2016**

**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, 2016**

**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. Trust Funds Held by Federal Government**

	<u>2016</u>	<u>2015</u>
Opening balance	\$ 102,636	\$ 102,554
Additions	1,077	82
Withdrawals	<u>-</u>	<u>-</u>
	<u>\$ 103,713</u>	<u>\$ 102,636</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.

**3. Accounts Receivable**

	<u>2016</u>	<u>2015</u>
Due from members	\$ 53,447	\$ 105,160
Due from non-members	<u>3,758,010</u>	<u>3,198,102</u>
	3,811,457	3,303,262
Less: allowance for doubtful accounts	<u>(138,379)</u>	<u>(77,153)</u>
	<u>\$ 3,673,078</u>	<u>\$ 3,226,109</u>

**4. Inventory**

The First Nation sources diesel fuel for use in operations and for sale to third parties. As well the First Nation has an inventory of crushed stone that will be used in operations. As of year-end, the First Nation estimates that \$275,800 (2015 - \$352,178) will be sold to third parties, and \$1,803,151 (2015 - \$1,985,313) will be used in operations.

**MUSHUAU INNU FIRST NATION  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016**

**5. Due from Governments**

	<u>2016</u>	<u>2015</u>
Aboriginal Affairs and Northern Development Canada	\$ 1,060,282	\$ 839,315
Health Canada	181,557	7,959
Canada Revenue Agency - HST	255,876	534,060
Service Canada	146,757	250,068
Government of Newfoundland and Labrador	<u>-</u>	<u>21,293</u>
	<u>\$ 1,644,472</u>	<u>\$ 1,652,695</u>

**6. 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>2016</u>	<u>2015</u>
Innu Development Limited Partnership	\$ 10,454,119	\$ 11,108,251
Mushuau Camp and Catering Limited Partnership	5,001,032	3,903,940
Mushuau Innu Camp and Catering Inc.	<u>39,008</u>	<u>38,895</u>
Total	<u>15,494,159</u>	<u>15,051,086</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>2016</u>	<u>2015</u>
Cash	\$ 662,236	\$ 416,006
Accounts Receivable	961,735	210,216
Prepaid Expenses	2,748	27,479
Due from Related Parties	7,224,972	9,122,539
Tangible Capital Assets	37,573	47,023
Long Term Investments	9,760,663	9,996,230
Intangible Assets	<u>562,000</u>	<u>562,000</u>
Total Assets	<u>19,211,927</u>	<u>20,381,493</u>
Accounts Payable	<u>135,700</u>	<u>30,105</u>
Total Liabilities	135,700	30,105
Equity	<u>19,076,227</u>	<u>20,351,388</u>
Total Liabilities and Equity	<u>\$ 19,211,927</u>	<u>\$ 20,381,493</u>
Revenue	\$ 5,115,721	\$ 9,240,886
Expenses	<u>2,790,814</u>	<u>2,285,955</u>
Net Income	<u>\$ 2,324,907</u>	<u>\$ 6,954,931</u>

**MUSHUAU INNU FIRST NATION  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016**

**6. 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>2016</u>	<u>2015</u>
Cash	\$ 12,179	\$ 12,179
Due from Related Parties	1,855,533	1,855,533
Long Term Investments	<u>3,420,989</u>	<u>2,291,819</u>
Total Assets	<u>5,288,701</u>	<u>4,159,531</u>
Accounts Payable	225,910	193,942
Due to Related Parties	<u>60,910</u>	<u>60,910</u>
Total Liabilities	286,820	254,852
Equity	<u>5,001,881</u>	<u>3,904,679</u>
Total Liabilities and Equity	<u>\$ 5,288,701</u>	<u>\$ 4,159,531</u>
Revenue	\$ 1,129,170	\$ 902,320
Expenses	<u>31,967</u>	<u>-</u>
Net Income	<u>\$ 1,097,203</u>	<u>\$ 902,320</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>2016</u>	<u>2015</u>
Cash	\$ -	\$ -
Due from Related Parties	39,670	39,670
Long Term Investments	<u>852</u>	<u>739</u>
Total Assets	<u>40,522</u>	<u>40,409</u>
Accounts Payable	<u>1,514</u>	<u>1,514</u>
Equity	<u>39,008</u>	<u>38,895</u>
Total Liabilities and Equity	<u>\$ 40,522</u>	<u>\$ 40,409</u>
Revenue	\$ 113	\$ 90
Expenses	<u>-</u>	<u>-</u>
Net Income	<u>\$ 113</u>	<u>\$ 90</u>

**MUSHUAU INNU FIRST NATION  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016**

**7. Accounts Payable and Accrued Liabilities**

	<u>2016</u>	<u>2015</u>
Trade payables	\$ 3,906,026	\$ 4,919,116
Accrued salaries and benefits payable	94,359	31,227
Other accrued liabilities	<u>611,881</u>	<u>689,164</u>
	<u>\$ 4,612,266</u>	<u>\$ 5,639,507</u>

**8. Due to Governments**

	<u>2016</u>	<u>2015</u>
Aboriginal Affairs and Northern Development Canada	\$ 666,199	\$ 642,306
Health Canada	448,684	435,221
Canada Revenue Agency - Employee deductions payable	27,836	35,477
Canada Revenue Agency - Withholding tax	<u>-</u>	<u>15,744</u>
	<u>\$ 1,142,719</u>	<u>\$ 1,128,748</u>

**9. Long-term Debt**

	<u>2016</u>	<u>2015</u>
Bank demand loan bearing interest at 4.63% repayable in monthly blended payments of \$49,948, due in November 2023.	\$ 3,861,327	\$ -
Bank demand loan bearing interest at 4.68% repaid during the year.	-	543,997
Interest-free Canada Mortgage and Housing Corporation Loan forgivable over 15 years as long as First Nation has used the funds for its intended purpose.	<u>-</u>	<u>286,666</u>
Total long-term debt	<u>3,861,327</u>	<u>830,663</u>

**MUSHUAU INNU FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016**

**9. Long-term Debt (continued)**

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:

2016	\$430,000
2017	\$450,000
2018	\$471,000
2019	\$494,000
2020	\$517,000

**10. Deferred Revenue**

	<b>Balance March 31 2015</b>	<b>Funding Received 2016</b>	<b>Revenue Recognized 2016</b>	<b>Balance March 31 2016</b>
Sheshatshiu Innu & Mushuau Innu First Nations trust	\$ -	\$ 7,877,195	\$ 7,863,992	\$ 13,203
AANDC - operations	312,043	6,653,151	6,761,194	204,000
Health Canada - operations	-	6,151,285	6,093,176	58,109
IOC funding	-	<u>750,000</u>	<u>-</u>	<u>750,000</u>
	<u>\$ 312,043</u>	<u>\$ 21,431,631</u>	<u>\$ 20,718,362</u>	<u>\$ 1,025,312</u>

**MUSHUAU INNU FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016**

**11. Related Party Transactions**

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

	<u>2016</u>	<u>2015</u>
Innu Mikun Limited Partnership	\$ 111,303	\$ 154,128
Innu Development Limited Partnership	325,225	278,210
Mushuau Innu General Store Inc.	<u>1,578,589</u>	<u>1,200,681</u>
	<u>\$ 2,015,117</u>	<u>\$ 1,633,019</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 \$1,538,764 (2015- \$1,417,203) paid or payable to related parties.
- c) Included in facilities management revenue is the amount of \$112,499 (2015- \$140,565) received or receivable from a related party.





**MUSHUAU INNU FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016**

**13. Government Transfers**

	<b>2016</b>		
	<b>Operating</b>	<b>Capital</b>	<b>Total</b>
Aboriginal Affairs and Northern Development Canada	\$ 6,411,227	\$ -	\$ 6,411,227
Health Canada	3,842,447	-	3,842,447
Service Canada	51,163	-	51,163
CMHC	<u>286,666</u>	<u>-</u>	<u>286,666</u>
Total	10,591,503	-	10,591,503
Provincial transfers	<u>113,173</u>	<u>-</u>	<u>113,173</u>
	<u>\$ 10,704,676</u>	<u>\$ -</u>	<u>\$ 10,704,676</u>

	<b>2015</b>		
	<b>Operating</b>	<b>Capital</b>	<b>Total</b>
Aboriginal Affairs and Northern Development Canada	\$ 6,515,215	\$ -	\$ 6,515,215
Health Canada	3,066,362	-	3,066,362
Service Canada	341,855	-	341,855
CMHC	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Total	9,963,432	-	9,963,432
Provincial transfers	<u>96,989</u>	<u>-</u>	<u>96,989</u>
	<u>\$ 10,060,421</u>	<u>\$ -</u>	<u>\$ 10,060,421</u>

**14. 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 eventual amount these claims will be settled for is not determinable at the present time. Any future settlements 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 \$928,525 while the First Nation has accrued \$189,173 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, 2016**

**14. Contingent Liabilities (continued)**

b) Repayable Funding

During the prior 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 repaid \$114,211 of this amount and accrued a further \$120,000 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.

c) Forgivable Loan

Canada Mortgage and Housing Corporation has provided a forgivable loan for the First Nation. This loan is forgiven over a fifteen year period commencing July 1, 2007 as long as the First Nation is not in default under the terms and conditions of the loan agreement and continues to operate the applicable property as agreed. The unforgiven balance as of March 31, 2016 is \$246,666.

**15. Change in Non-Cash Working Capital Balances**

	<u>2016</u>	<u>2015</u>
Trust funds held by federal government	(1,077)	(82)
Accounts receivable	\$ (446,969)	\$ (2,226,126)
Due from government	8,223	3,826,331
Inventory for resale	76,378	(97,699)
Inventory for consumption	182,162	(1,288,517)
Prepaid expenses	(62,364)	(48,340)
Payables and accruals	(1,027,244)	1,168,991
Due to government	13,971	(832,425)
Due to Sheshatshiu and Mushuau Innu Trust	-	(750,000)
Deferred revenue	713,269	(195,327)
Due to related parties	<u>382,098</u>	<u>156,226</u>
	<u>\$ (161,553)</u>	<u>\$ (286,968)</u>

**16. Health Canada Revenue**

	<u>Set Funding</u>	<u>Projects</u>	<u>Renovations</u>	<u>Total</u>
Opening deferred revenue	\$ -	\$ -	\$ -	\$ -
Funding	3,914,019	-	-	3,914,019
Increase in repayable funding	(13,463)	-	-	(13,463)
Ending deferred revenue	<u>(58,109)</u>	<u>-</u>	<u>-</u>	<u>(58,109)</u>
Revenue	<u>\$ 3,842,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,842,447</u>

**MUSHUAU INNU FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016**

**17. Expenses by Object**

	<u>2016</u>	<u>2015</u>
Wages and employee benefits	\$ 7,340,355	\$ 7,706,393
Supplies	6,090,980	6,541,140
Professional Fees	1,034,723	928,959
Travel	2,422,345	2,016,447
Other	1,871,550	1,887,189
Repairs and maintenance	1,581,009	2,366,477
Community payouts	505,500	971,998
Interest	(59,236)	305,042
Amortization	<u>9,249,675</u>	<u>9,235,937</u>
	<u>30,036,901</u>	<u>31,959,582</u>

**18. Budget**

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

**19. 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**  
**March 31, 2016**

**20. 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:

	Budget 2016	Education Actual 2016	Actual 2015	Budget 2016	Health Actual 2016	Actual 2015	Budget 2016	Economic Development Actual 2016	Actual 2015
<b>Revenue</b>									
Federal government operating transfers	\$ 117,250	\$ 337,829	\$ 614,319	\$ 3,608,767	\$ 4,003,853	\$ 3,290,133	\$ 65,440	\$ 104,320	\$ 65,440
Federal government capital transfers						8,553			-
Provincial government operating transfers	600,000	786,370	-		32,470	25,000			-
Other revenue			779,980		903,681	518,278		100,000	100,000
Share of income in business enterprises		-	250,000		-	150,000			-
<b>Total Revenue</b>	<b>717,250</b>	<b>1,124,199</b>	<b>1,644,299</b>	<b>3,608,767</b>	<b>4,940,004</b>	<b>3,991,964</b>	<b>65,440</b>	<b>204,320</b>	<b>165,440</b>
<b>Expenditures</b>									
Wages and benefits	-	211,634	243,048	2,437,824	2,771,644	2,384,877	55,225	23,133	54,656
Interest expense	-	-	-	-	-	-	-	-	-
Other expense	733,420	765,870	802,487	1,121,377	1,756,354	1,275,889	9,312	48,600	-
<b>Total expenses before amortization</b>	<b>733,420</b>	<b>977,504</b>	<b>1,045,535</b>	<b>3,559,201</b>	<b>4,527,998</b>	<b>3,660,766</b>	<b>64,537</b>	<b>71,733</b>	<b>54,656</b>
Amortization	-	1,076,093	1,061,484	-	582,635	570,799	-	195,663	193,202
<b>Total Expenses</b>	<b>733,420</b>	<b>2,053,597</b>	<b>2,107,019</b>	<b>3,559,201</b>	<b>5,110,633</b>	<b>4,231,565</b>	<b>64,537</b>	<b>267,396</b>	<b>247,858</b>
<b>Annual Surplus (deficit)</b>	<b>\$ (16,170)</b>	<b>\$ (929,398)</b>	<b>\$ (462,720)</b>	<b>\$ 49,566</b>	<b>\$ (170,629)</b>	<b>\$ (239,601)</b>	<b>\$ 903</b>	<b>\$ (63,076)</b>	<b>\$ (82,418)</b>

**Mushuau Innu First Nation**  
**Notes to the Financial Statements**  
**March 31, 2016**

**20. Segment Disclosure (continued)**

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	Budget 2016	Housing Actual 2016	Actual 2015	Budget 2016	Community Services Actual 2016	Actual 2015	Budget 2016	Governance Actual 2016	Actual 2015
<b>Revenue</b>									
Federal government operating transfers	\$ 330,242	\$ 331,283	\$ 375,086	\$ 4,578,355	\$ 4,993,558	\$ 4,891,447	\$ 804,460	\$ 820,660	\$ 718,454
Federal government capital transfers	-	-	-	-	-	-	-	-	-
Provincial government operating transfers	162,000	2,416,172	2,981,958	2,261,000	80,703	71,989	1,722,000	2,128,970	3,372,256
Other revenue	215,000	213,016	1,000,000	785,000	5,888,108	7,897,057	-	-	-
Share of income in business enterprises	-	-	-	-	1,968,035	3,333,590	-	-	-
<b>Total Revenue</b>	<b>707,242</b>	<b>2,960,471</b>	<b>4,357,044</b>	<b>7,624,355</b>	<b>12,930,404</b>	<b>16,194,083</b>	<b>2,526,460</b>	<b>2,949,630</b>	<b>4,090,710</b>
<b>Expenditures</b>									
Wages and benefits	198,810	322,547	415,599	1,220,472	3,058,853	3,172,847	912,752	952,544	1,435,366
Interest expense	-	-	-	-	-	-	60,000	(59,236)	305,042
Other expense	511,000	902,512	1,366,602	6,389,998	7,881,575	9,171,619	1,544,400	2,151,196	2,095,613
<b>Total expenses before amortization</b>	<b>709,810</b>	<b>1,225,059</b>	<b>1,782,201</b>	<b>7,610,470</b>	<b>10,940,428</b>	<b>12,344,466</b>	<b>2,517,152</b>	<b>3,044,504</b>	<b>3,836,021</b>
<b>Amortization</b>	<b>-</b>	<b>3,266,868</b>	<b>3,263,436</b>	<b>-</b>	<b>3,879,387</b>	<b>3,911,006</b>	<b>-</b>	<b>249,029</b>	<b>236,010</b>
<b>Total Expenses</b>	<b>709,810</b>	<b>4,491,927</b>	<b>5,045,637</b>	<b>7,610,470</b>	<b>14,819,815</b>	<b>16,255,472</b>	<b>2,517,152</b>	<b>3,293,533</b>	<b>4,072,031</b>
<b>Annual Surplus (deficit)</b>	<b>\$ (2,568)</b>	<b>\$ (1,531,456)</b>	<b>\$ (688,593)</b>	<b>\$ 13,885</b>	<b>\$ (1,869,411)</b>	<b>\$ (61,389)</b>	<b>\$ 9,308</b>	<b>\$ (343,903)</b>	<b>\$ 18,679</b>

**WINSOR ♦ COOMBS**

CHARTERED PROFESSIONAL ACCOUNTANTS

**Mushuau Innu First Nation**  
**Notes to the Financial Statements**  
**March 31, 2016**

**20. Segment Disclosure (continued)**

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Revenue				
Federal government operating transfers	\$ 9,504,514	\$ 10,591,503	\$ 9,954,879	
Federal government capital transfers	-	-	8,553	
Provincial government operating transfers	-	113,173	96,989	
Other revenue	4,745,000	12,223,301	15,849,529	
Share of income in business enterprises	1,000,000	2,181,051	4,733,590	
<b>Total Revenue</b>	<b>15,249,514</b>	<b>25,109,028</b>	<b>30,443,540</b>	
Expenditures				
Wages and benefits	4,825,083	7,340,355	7,706,393	
Interest expense	60,000	(59,236)	305,042	
Other expense	10,309,507	13,506,107	14,712,210	
<b>Total expenses before amortization</b>	<b>15,194,590</b>	<b>20,787,226</b>	<b>22,723,645</b>	
Amortization	-	9,249,675	9,235,937	
<b>Total Expenses</b>	<b>15,194,590</b>	<b>30,036,901</b>	<b>31,959,582</b>	
<b>Annual Surplus (deficit)</b>	<b>\$ 54,924</b>	<b>\$ (4,927,873)</b>	<b>\$ (1,516,042)</b>	

**MUSHUAU INNU FIRST NATION  
DETAILS OF HEALTH EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2016**

<b>Expenditure</b>	<b>Budget 2016</b>	<b>Unaudited 2016</b>	<b>Unaudited 2015</b>
Aboriginal head start	238,644	252,945	241,500
Canada pre natal nutrition program	20,584	34,545	31,348
Fetal alcohol spectrum disorder	8,040	-	-
Amortization	-	582,635	570,799
Oral Health	4,658	-	2,515
Brighter futures	91,270	88,899	93,938
Mental health crisis	75,088	82,863	30,578
Labrador Innu health programs	1,523,832	1,693,282	1,405,440
Solvent abuse program	13,250	-	-
NAYSPS	13,778	18,780	22,537
NNADAP	162,170	26,570	111,962
Aboriginal diabetes initiative	28,200	21,951	28,973
Health promotion	416,250	401,345	412,069
Nutrition education	-	24,572	32,719
Environmental public health	7,987	7,810	7,870
Home and community care	372,540	769,857	618,318
Health liaison	48,400	37,811	39,084
Operations and maintenance	471,000	627,748	430,849
Transfers to capital assets	-	-	(2,400)
NIHB	63,510	439,022	153,466
<b>Total expenditure</b>	<b>3,559,201</b>	<b>5,110,635</b>	<b>4,231,565</b>