

**MUSHUAU INNU FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**

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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, 2017 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

The organization's Consolidated Statement of Financial Position includes \$2,622,187 due from government. We were unable to obtain sufficient appropriate audit evidence to support \$1,609,935 of this amount. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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, 2017, 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

November 22, 2017


Chartered Professional Accountants

Mushuau Innu First Nation
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P.O Box 190, Natuashish
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2Mushuau 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 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

MUSHUAU INNU FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2017

FINANCIAL ASSETS	2017	2016
Cash and cash equivalents	\$ 8,081,712	\$ 8,351,182
Trust funds held by federal government (Note 2)	1,555	103,713
Accounts receivable (Note 3)	3,411,718	3,614,657
Due from government (Note 5)	2,622,187	1,644,472
Inventory for resale (Note 4)	285,777	275,800
Investments in business enterprises (Note 6)	<u>15,742,572</u>	<u>15,494,159</u>
	<u>30,145,521</u>	<u>29,483,983</u>
LIABILITIES		
Payables and accruals (Note 7)	4,183,512	4,612,266
Due to government (Note 8)	1,332,911	1,142,719
Deferred revenue (Note 10)	869,518	1,025,312
Due to related parties (Note 11)	639,977	1,956,695
Long-term debt (Note 9)	<u>3,431,297</u>	<u>3,861,327</u>
	<u>10,457,215</u>	<u>12,598,319</u>
Contingent liabilities (Note 14)		
Net Financial Assets	<u>19,688,306</u>	<u>16,885,664</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	60,240	129,416
Inventory held for use (Note 4)	1,804,145	1,803,151
Tangible capital assets (Note 12)	<u>96,172,461</u>	<u>103,543,148</u>
	<u>98,036,846</u>	<u>105,475,715</u>
Accumulated surplus	<u>\$117,725,152</u>	<u>\$122,361,379</u>

ON BEHALF OF THE FIRST NATION

 _____ Chief  _____ Councilor

**MUSHUAU INNU FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2017**

	Budget	2017	2016
Revenue			
Federal government operating transfer (Note 13)	\$ 9,968,065	\$ 10,042,240	\$ 10,591,503
Sheshatshiu Innu & Mushau Innu			
First Nations Trust	4,036,000	7,362,240	7,863,992
Federal government capital transfer (Note 13)	-	612,440	-
Innu Nation	-	1,751,165	2,628,659
Share of income in business enterprises	1,000,000	3,549,505	2,181,051
Facilities management revenue	1,156,896	830,570	726,193
Infrastructure park revenue	612,000	612,000	612,000
Rent income - Natuashish Housing Authority	162,000	166,357	227,959
Provincial government operating transfer (Note 13)	-	-	113,173
Miscellaneous revenues	-	81,057	88,597
Postal revenue	110,000	83,169	64,804
IOC revenue	-	403,069	-
Interest income	-	33,031	6,098
IDLP donations	-	-	5,000
Total revenue	<u>17,044,961</u>	<u>25,526,843</u>	<u>25,109,029</u>
Expenditure			
Band support	2,529,152	3,177,452	3,293,527
Safety and security	71,793	378,852	269,186
Economic development	64,537	250,514	267,396
Education and training	1,063,551	1,898,692	2,053,598
Health commission	3,809,201	4,664,900	5,110,635
Natuashish Housing Authority	709,810	4,654,088	4,491,929
Operations and maintenance	7,214,660	10,566,740	10,393,439
Outpost, gatherings and traditional skills	110,000	2,262,256	1,844,628
Recreation and community events	452,990	1,121,366	1,271,287
Social programs	1,000,000	1,188,210	1,041,276
Total expenditure	<u>17,025,694</u>	<u>30,163,070</u>	<u>30,036,901</u>
Annual surplus (deficit)	<u>19,267</u>	<u>(4,636,227)</u>	<u>(4,927,872)</u>
Accumulated surplus, beginning of year	<u>122,361,379</u>	<u>122,361,379</u>	<u>127,289,251</u>
Accumulated surplus, end of year	<u>122,380,646</u>	<u>\$117,725,152</u>	<u>\$122,361,379</u>

MUSHUAU INNU FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2017

	<u>Budget</u>	<u>2017</u>	<u>2016</u>
Annual deficit	\$ 19,267	\$ (4,636,227)	\$ (4,927,872)
Tangible capital assets:			
Acquisition of tangible capital assets	-	(2,006,117)	(1,333,310)
Amortization	<u>-</u>	<u>9,376,804</u>	<u>9,249,674</u>
	19,267	2,734,460	2,988,492
Acquisition of inventory for consumption	-	(1,804,145)	(3,921,418)
Use of inventory held for consumption	-	1,803,151	4,103,580
Acquisition of prepaid expenses	-	(60,240)	(129,416)
Use of prepaid expenses	<u>-</u>	<u>129,416</u>	<u>67,052</u>
Change in net financial assets	19,267	2,802,642	3,108,290
Net financial assets, beginning of year	<u>16,885,664</u>	<u>16,885,664</u>	<u>13,777,374</u>
Net financial assets, end of year	<u>\$ 16,904,931</u>	<u>\$ 19,688,306</u>	<u>\$ 16,885,664</u>

MUSHUAU INNU FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2017

Cash provided by (used for)

	2017	2016
Operating activities		
Annual deficit	\$ (4,636,227)	\$ (4,927,872)
Amortization	9,376,804	9,249,674
Net change in non-cash working capital balances (Note 15)	(2,325,490)	(161,553)
Share income in business enterprises	<u>(3,549,505)</u>	<u>(2,181,051)</u>
	<u>(1,134,418)</u>	<u>1,979,198</u>
Capital		
Capital expenditures	<u>(2,006,117)</u>	<u>(1,333,310)</u>
Financing activities		
Forgiveness of long term debt	-	(286,666)
Proceeds from long term debt	-	4,000,000
Repayment of long-term debt	<u>(430,030)</u>	<u>(682,670)</u>
	<u>(430,030)</u>	<u>3,030,664</u>
Investing activity		
Receipt of dividend	1,578,589	-
Funds received from business enterprises	<u>1,722,506</u>	<u>1,737,980</u>
	<u>3,301,095</u>	<u>1,737,980</u>
Increase (decrease) in cash	(269,470)	5,414,532
Cash, beginning of year	8,351,182	2,936,650
Cash, end of year	\$ 8,081,712	\$ 8,351,182

Interest paid during the year was \$204,238 (2016 - \$72,651)

MUSHUAU INNU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

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, 2017**

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, 2017

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

	2017	2016
Opening balance	\$ 103,713	\$ 102,636
Additions	2,590	1,077
Withdrawals	<u>(104,748)</u>	<u>-</u>
	<u>\$ 1,555</u>	<u>\$ 103,713</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

	2017	2016
Due from members	\$ 69,549	\$ 53,447
Due from non-members	<u>3,424,480</u>	<u>3,699,589</u>
	3,494,029	3,753,036
Less: allowance for doubtful accounts	<u>(82,311)</u>	<u>(138,379)</u>
	<u>\$ 3,411,718</u>	<u>\$ 3,614,657</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 \$285,777 (2016 - \$275,800) will be sold to third parties, and \$1,804,145 (2016 - \$1,803,151) will be used in operations.

**MUSHUAU INNU FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

5. Due from Governments

	2017	2016
Indigenous and Northern Affairs Canada	\$ 1,505,247	\$ 1,060,282
Health Canada	572,398	181,557
Canada Revenue Agency - HST	265,098	255,876
Service Canada	<u>279,444</u>	<u>146,757</u>
	<u><u>\$ 2,622,187</u></u>	<u><u>\$ 1,644,472</u></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:

	2017	2016
Innu Development Limited Partnership	\$ 11,003,184	\$ 10,454,119
Mushuau Camp and Catering Limited Partnership	4,700,258	5,001,032
Mushuau Innu Camp and Catering Inc.	<u>39,130</u>	<u>39,008</u>
Total	<u><u>15,742,572</u></u>	<u><u>15,494,159</u></u>

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

	2017	2016
Cash	\$ 1,512,305	\$ 662,236
Accounts Receivable	206,468	908,454
Prepaid Expenses	2,300	2,748
Due from Related Parties	7,921,604	7,247,439
Tangible Capital Assets	29,686	37,573
Long Term Investments	10,093,344	10,060,142
Intangible Assets	<u>562,000</u>	<u>562,000</u>
Total Assets	<u><u>20,327,707</u></u>	<u><u>19,480,592</u></u>
Accounts Payable	<u>198,162</u>	<u>113,996</u>
Total Liabilities	<u>198,162</u>	<u>113,996</u>
Equity	<u>20,129,545</u>	<u>19,366,596</u>
Total Liabilities and Equity	<u><u>20,327,707</u></u>	<u><u>19,480,592</u></u>
Revenue	\$ 7,571,246	\$ 5,023,140
Expenses	<u>3,318,022</u>	<u>2,782,723</u>
Net Income	<u><u>\$ 4,253,224</u></u>	<u><u>\$ 2,240,417</u></u>

MUSHUAU INNU FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

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:

	2017	2016
Cash	\$ 12,179	\$ 12,179
Due from Related Parties	1,855,533	1,855,533
Long Term Investments	<u>3,090,219</u>	<u>3,420,989</u>
Total Assets	<u>4,957,931</u>	<u>5,288,701</u>
Accounts Payable	225,910	225,910
Due to Related Parties	<u>60,910</u>	<u>60,910</u>
Total Liabilities	<u>286,820</u>	<u>286,820</u>
Equity	<u>4,671,111</u>	<u>5,001,881</u>
Total Liabilities and Equity	<u>\$ 4,957,931</u>	<u>\$ 5,288,701</u>
Revenue	\$ 1,247,819	\$ 1,129,170
Expenses	<u>-</u>	<u>31,967</u>
Net Income	<u>\$ 1,247,819</u>	<u>\$ 1,097,203</u>

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

	2017	2016
Cash	\$ -	\$ -
Due from Related Parties	39,670	39,670
Long Term Investments	<u>974</u>	<u>852</u>
Total Assets	<u>40,644</u>	<u>40,522</u>
Accounts Payable	<u>1,514</u>	<u>1,514</u>
Equity	<u>39,130</u>	<u>39,008</u>
Total Liabilities and Equity	<u>\$ 40,644</u>	<u>\$ 40,522</u>
Revenue	\$ 122	\$ 113
Expenses	<u>-</u>	<u>-</u>
Net Income	<u>\$ 122</u>	<u>\$ 113</u>

**MUSHUAU INNU FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

7. Accounts Payable and Accrued Liabilities

	2017	2016
Trade payables	\$ 3,532,243	\$ 3,906,026
Accrued salaries and benefits payable	307,823	94,359
Other accrued liabilities	<u>343,446</u>	<u>611,881</u>
	<u><u>\$ 4,183,512</u></u>	<u><u>\$ 4,612,266</u></u>

8. Due to Governments

	2017	2016
Indigenous and Northern Affairs Canada	\$ 399,483	\$ 666,199
Health Canada	848,177	448,684
Canada Revenue Agency - Employee deductions payable	<u>85,251</u>	<u>27,836</u>
	<u><u>\$ 1,332,911</u></u>	<u><u>\$ 1,142,719</u></u>

9. Long-term Debt

	2017	2016
Bank demand loan bearing interest at 4.63% repayable in monthly blended payments of \$49,948, due in November 2023.	<u>\$ 3,431,297</u>	<u>\$ 3,861,327</u>

MUSHUAU INNU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

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:

2017	\$430,000
2018	\$450,000
2019	\$471,000
2020	\$494,000
2021	\$517,000

10. Deferred Revenue

	Balance March 31 2016	Funding Received 2017	Revenue Recognized 2017	Balance March 31 2017
Sheshatshiu Innu & Mushuau				
Innu First Nations trust	\$ 13,203	\$ 7,351,672	\$ 7,362,240	\$ 2,635
INAC - operations	204,000	7,363,534	7,047,582	519,952
Health Canada - operations	58,109	3,246,447	3,304,556	-
IOC funding	<u>750,000</u>	<u>-</u>	<u>403,069</u>	<u>346,931</u>
	<u>\$ 1,025,312</u>	<u>\$ 17,961,653</u>	<u>\$ 18,117,447</u>	<u>\$ 869,518</u>

MUSHUAU INNU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

11. Related Party Transactions

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

	<u>2017</u>	<u>2016</u>
Innu Mikun Limited Partnership	\$ 6,330	\$ 111,303
Innu Development Limited Partnership	325,225	325,225
Labrador Innu Round Table Secretariat	(24,416)	(58,422)
Mushuau Innu General Store Inc.	<u>332,838</u>	<u>1,578,589</u>
	<u>\$ 639,977</u>	<u>\$ 1,956,695</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.

A significant number of the board of Labrador Innu Round Table Secretariat are appointed by the First Nation.

- b) Included in current year expenditures is the amount of \$1,264,120 (2016- \$1,538,764) paid or payable to related parties.
- c) Included in revenue is the amount of \$155,209 (2016- \$112,499) received or receivable from a related party.
- d) Capital additions include \$1,096,103 (2016 - \$Nil) paid or payable to a related party.

MUSHUAU INNU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

12. Tangible Capital Assets

	Cost				Accumulated Amortization				Net Book Value	
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Amortization	Disposals	Closing Balance	Total 2017	Total 2016
Tangible Capital Assets										
Infrastructure	52,053,084	124,682	-	52,177,766	15,281,971	1,304,444	-	16,586,415	35,591,351	36,771,113
Buildings	68,132,538	1,100,420	-	69,232,958	37,273,080	3,461,648	-	40,734,728	28,498,230	30,859,458
Housing	63,354,670	-	-	63,354,670	35,401,803	3,266,868	-	38,668,671	24,685,999	27,952,867
Wharf	11,229,814	-	-	11,229,814	5,614,905	561,490	-	6,176,395	5,053,419	5,614,909
Equipment	4,625,140	672,875	1,481,158	3,816,857	2,518,991	691,825	1,481,158	1,729,658	2,087,199	2,106,149
Transportation equipment	512,592	108,140	114,024	506,708	273,940	90,529	114,024	250,445	256,263	238,652
Total	199,907,838	2,006,117	1,595,182	200,318,773	96,364,690	9,376,804	1,595,182	104,146,312	96,172,461	103,543,148

MUSHUAU INNU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

13. Government Transfers

	2017		
	Operating	Capital	Total
Indigenous and Northern Affairs Canada	\$ 6,435,142	\$ 612,440	\$ 7,047,582
Health Canada	3,304,556	-	3,304,556
Service Canada	<u>302,542</u>	<u>-</u>	<u>302,542</u>
Total	<u>10,042,240</u>	<u>612,440</u>	<u>10,654,680</u>
	<u>\$ 10,042,240</u>	<u>\$ 612,440</u>	<u>\$ 10,654,680</u>

	2016		
	Operating	Capital	Total
Indigenous and Northern Affairs 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	<u>10,591,503</u>	<u>-</u>	<u>10,591,503</u>
Provincial transfers	<u>113,173</u>	<u>-</u>	<u>113,173</u>
	<u>\$ 10,704,676</u>	<u>\$ -</u>	<u>\$ 10,704,676</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 \$1,078,524 while the First Nation has accrued \$142,173 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
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14. Contingent Liabilities (continued)

b) 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, 2017 is \$206,666.

15. Change in Non-Cash Working Capital Balances

	2017	2016
Trust funds held by federal government	102,158	(1,077)
Accounts receivable	\$ 202,939	\$ (446,969)
Due from government	(977,715)	8,223
Inventory for resale	(9,977)	76,378
Inventory for consumption	(994)	182,162
Prepaid expenses	69,176	(62,364)
Payables and accruals	(428,757)	(1,027,244)
Due to government	190,192	13,971
Due to Sheshatshiu and Mushuau Innu Trust	-	-
Deferred revenue	(155,794)	713,269
Due to related parties	<u>(1,316,718)</u>	<u>382,098</u>
	<u><u>\$ (2,325,490)</u></u>	<u><u>\$ (161,553)</u></u>

16. Expenses by Object

	2017	2016
Wages and employee benefits	\$ 8,237,415	\$ 7,340,355
Supplies	5,711,502	6,090,980
Professional Fees	961,107	1,034,723
Travel	2,591,750	2,422,345
Other	1,482,803	1,871,550
Repairs and maintenance	1,073,450	1,581,009
Community payouts	524,000	505,500
Interest	204,238	(59,236)
Amortization	<u>9,376,805</u>	<u>9,249,675</u>
	<u><u>30,163,070</u></u>	<u><u>30,036,901</u></u>

17. Budget

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

Mushuau Innu First Nation
Notes to the Financial Statements
March 31, 2017

18. 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:

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	Education		Health		Economic Development				
	Budget 2017	Actual 2017	Actual 2016	Budget 2017	Actual 2017	Actual 2016	Budget 2017	Actual 2017	Actual 2016
Revenue									
Federal government operating transfers	\$ 463,551	\$ 249,958	\$ 337,829	\$ 3,879,678	\$ 3,590,636	\$ 4,003,853	\$ 65,440	\$ 65,440	\$ 104,320
Federal government capital transfers									
Provincial government operating transfers									
Other revenue	600,000	1,205,088	786,370	132,540	785,329	32,470			
Share of income in business enterprises				31,553	903,681	-			100,000
Total Revenue	1,063,551	1,455,046	1,124,199	4,012,218	4,407,518	4,940,004	65,440	65,440	204,320
Expenditures									
Wages and benefits	65,000	223,853	211,634	2,269,880	2,718,500	2,771,644	54,656	(20)	23,133
Interest expense									
Other expense	998,551	598,746	765,870	1,539,321	1,352,490	1,756,354	9,881	-	48,600
Total expenses before amortization	1,063,551	822,599	977,504	3,809,201	4,070,990	4,527,998	64,537	(20)	71,733
Amortization	-	1,076,093	1,076,093	-	593,912	582,635	-	250,534	195,663
Total Expenses	1,063,551	1,898,692	2,053,597	3,809,201	4,664,902	5,110,633	64,537	250,514	267,396
Annual Surplus (deficit)	\$ (0)	\$ (443,646)	\$ (929,398)	\$ 203,017	\$ (257,384)	\$ (170,629)	\$ 903	\$ (185,074)	\$ (63,076)

Mushuau Innu First Nation
Notes to the Financial Statements
March 31, 2017

18. Segment Disclosure (continued)

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	Budget 2017	Housing Actual 2017	Actual 2016	Budget 2017	Community Services Actual 2017	Actual 2016	Budget 2017	Governance Actual 2017	Actual 2016
Revenue									
Federal government operating transfers	\$ 348,174	\$ 569,372	\$ 331,283	\$ 4,484,421	\$ 4,844,319	\$ 4,993,558	\$ 726,801	\$ 722,515	\$ 820,660
Federal government capital transfers					599,899			12,541	
Provincial government operating transfers						80,703			
Other revenue	361,636	1,987,500	2,416,172	3,380,369	5,825,504	5,888,108	1,602,351	1,519,238	2,128,970
Share of income in business enterprises		453,869	213,016	800,000	2,844,957	1,968,035	200,000	219,126	-
Total Revenue	709,810	3,010,741	2,960,471	8,664,790	14,114,679	12,930,404	2,529,152	2,473,420	2,949,630
Expenditures									
Wages and benefits	198,810	552,560	322,547	1,220,472	3,316,417	3,058,853	912,752	1,426,105	952,544
Interest expense	-	-	-	-	-	-	60,000	204,238	(59,236)
Other expense	511,000	834,660	902,512	7,628,971	8,278,766	7,881,575	1,556,400	1,279,950	2,151,195
Total expenses before amortization	709,810	1,387,220	1,225,059	8,849,443	11,595,183	10,940,428	2,529,152	2,910,293	3,044,503
Amortization	-	3,266,868	3,266,868	-	3,922,239	3,879,387	-	267,159	249,029
Total Expenses	709,810	4,654,088	4,491,927	8,849,443	15,517,422	14,819,815	2,529,152	3,177,452	3,293,532
Annual Surplus (deficit)	\$ -	\$ (1,643,347)	\$ (1,531,456)	\$ (184,653)	\$ (1,402,743)	\$ (1,889,411)	\$ -	\$ (704,033)	\$ (343,902)

Mushuau Innu First Nation
Notes to the Financial Statements
March 31, 2017

18. Segment Disclosure (continued)

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	Budget 2017	Actual 2017	Total Actual 2016
Revenue			
Federal government operating transfers	\$ 9,968,065	\$ 10,042,240	\$ 10,591,503
Federal government capital transfers	-	612,440	-
Provincial government operating transfers	-	-	113,173
Other revenue	6,076,896	11,322,659	12,223,301
Share of income in business enterprises	<u>1,000,000</u>	<u>3,549,505</u>	<u>2,181,051</u>
 Total Revenue	 <u>17,044,961</u>	 <u>25,526,843</u>	 <u>25,109,028</u>
Expenditures			
Wages and benefits	4,721,570	8,237,415	7,340,355
Interest expense	60,000	204,238	(59,236)
Other expense	<u>12,244,124</u>	<u>12,344,612</u>	<u>13,506,106</u>
 Total expenses before amortization	 <u>17,025,694</u>	 <u>20,786,265</u>	 <u>20,787,225</u>
Amortization	-	9,376,805	9,249,675
 Total Expenses	 <u>17,025,694</u>	 <u>30,163,070</u>	 <u>30,036,900</u>
 Annual Surplus (deficit)	 <u>\$ 19,267</u>	 <u>\$ (4,636,227)</u>	 <u>\$ (4,927,872)</u>