

MUSHUAU INNU FIRST NATION
Consolidated Financial Statements
Year Ended March 31, 2021

MUSHUAU INNU FIRST NATION
Index to Consolidated Financial Statements
Year Ended March 31, 2021

| | Page |
|--|--------|
| MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING | 1 |
| INDEPENDENT AUDITOR'S REPORT | 2 - 3 |
| CONSOLIDATED FINANCIAL STATEMENTS | |
| Consolidated Statement of Financial Position | 4 |
| Consolidated Statement of Operations and Accumulated Surplus | 5 |
| Consolidated Statement of Changes in Net Financial Assets | 6 |
| Consolidated Statement of Cash Flows | 7 |
| Notes to Consolidated Financial Statements | 8 - 19 |
| Schedule of Segmented Information | 20-22 |

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 CPA Canada and as such include amounts that are the best estimates and judgments of management

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal control 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, MNP LLP 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:



John Nui, Chief



Mr. Nick Paradisis, Band Manager

Natuashish, NL
January 18, 2022

To the Members of Mushuau Innu First Nation:

Opinion

We have audited the financial statements of Mushuau Innu First Nation (the "First Nation"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2021, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

- effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mount Pearl, Newfoundland and Labrador

January 18, 2022

MNP LLP

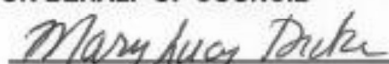

Chartered Professional Accountants

MUSHUAU INNU FIRST NATION
Consolidated Statement of Financial Position
March 31, 2021

| | 2021 | 2020 |
|---|----------------------|----------------------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents | \$ 27,383,405 | \$ 28,798,647 |
| Trust funds held by federal government (Note 3) | 119,684 | - |
| Accounts receivable (Note 4) | 2,686,417 | 3,559,359 |
| Due from government (Note 6) | 4,762,181 | 4,890,512 |
| Inventory for resale (Note 5) | 205,244 | 296,827 |
| Investments in business enterprises (Note 7) | 25,931,771 | 21,834,522 |
| | 61,088,702 | 59,379,867 |
| LIABILITIES | | |
| Accounts payable (Note 8) | 4,800,934 | 4,150,436 |
| Due to government (Note 9) | 1,425,071 | 1,325,317 |
| Deferred revenue (Note 11) | 11,113,027 | 3,992,778 |
| Due to related parties (Note 10) | 2,709,930 | 2,006,597 |
| Long term debt (Note 12) | 1,495,412 | 2,017,149 |
| | 21,544,374 | 13,492,277 |
| NET FINANCIAL ASSETS | 39,544,328 | 45,887,590 |
| NON-FINANCIAL ASSETS | | |
| Inventory (Note 5) | 609,549 | 856,987 |
| Prepaid expenses | 739,897 | 860,895 |
| Tangible capital assets (Note 17) | 84,580,846 | 81,654,492 |
| | 85,930,292 | 83,372,374 |
| ACCUMULATED SURPLUS | \$125,474,620 | \$129,259,965 |

CONTINGENT LIABILITY (Note 16)

ON BEHALF OF COUNCIL

 Councillor
 Councillor

MUSHUAU INNU FIRST NATION
Consolidated Statement of Operations and Accumulated Surplus
Year Ended March 31, 2021

| | Budget 2021 | Total 2021 | Total 2020 |
|---|----------------|----------------|----------------|
| REVENUES | | | |
| Federal government operating transfer <i>(Note 13)</i> | \$ 20,555,139 | \$ 15,686,956 | \$ 14,702,848 |
| Sheshatshiu Innu & Mushuau Innu First Nations Trust | 6,604,347 | 6,808,988 | 36,016,561 |
| Share of income in business enterprises | 1,000,000 | 6,251,558 | 2,396,545 |
| Federal government capital transfers <i>(Note 13)</i> | 2,713,470 | 2,415,403 | 298,920 |
| Government of Newfoundland and Labrador operating transfer <i>(Note 13)</i> | 1,977,532 | 2,087,368 | 2,130,359 |
| Innu Nation | 551,570 | 1,858,306 | 5,227,054 |
| Facilities management revenue | 952,500 | 1,027,495 | 852,674 |
| Infrastructure park revenue | 612,000 | 612,000 | 612,000 |
| Rent income - Natuashish Housing Authority | 250,000 | 317,327 | 279,740 |
| Miscellaneous revenues | 5,000 | 130,295 | 101,745 |
| Interest income | 75,000 | 114,600 | 221,366 |
| Government of Newfoundland and Labrador capital transfers <i>(Note 13)</i> | 72,500 | 89,312 | 100,863 |
| Postal revenue | 85,000 | 58,642 | 73,896 |
| IDLP donations | - | 29,254 | 108,300 |
| | 35,454,058 | 37,487,504 | 63,122,871 |
| EXPENSES | | | |
| Band support | 4,155,157 | 3,365,865 | 4,127,509 |
| Economic development | 157,865 | 332,754 | 333,009 |
| Education and training | 2,578,634 | 2,128,099 | 2,783,857 |
| Health commission | 8,795,155 | 6,444,346 | 5,629,933 |
| Mushuau EPH and Grouphome Inc. | 2,050,032 | 1,838,361 | 1,792,034 |
| Natuashish Housing Authority | 11,896,995 | 5,850,550 | 6,027,602 |
| Operations and maintenance | 12,553,801 | 12,090,776 | 13,344,624 |
| Outpost, gatherings and traditional skills | 2,363,959 | 1,893,073 | 3,346,650 |
| Recreation and community events | 1,170,826 | 1,439,664 | 1,406,353 |
| Safety and security | 1,695,999 | 1,429,291 | 1,458,816 |
| Social programs | 3,343,365 | 2,444,440 | 9,126,121 |
| | 50,761,788 | 39,257,219 | 49,376,508 |
| SURPLUS (DEFICIT) BEFORE OTHER ITEM | (15,307,730) | (1,769,715) | 13,746,363 |
| OTHER ITEM | | | |
| Provision for writedown of assets | - | 2,015,630 | - |
| ANNUAL SURPLUS (DEFICIT) | (15,307,730) | (3,785,345) | 13,746,363 |
| ACCUMULATED SURPLUS - BEGINNING OF YEAR | 129,259,965 | 129,259,965 | 115,513,602 |
| ACCUMULATED SURPLUS - END OF YEAR | \$ 113,952,235 | \$ 125,474,620 | \$ 129,259,965 |

See notes to financial statements

MUSHUAU INNU FIRST NATION**Consolidated Statement of Changes in Net Financial Assets****Year Ended March 31, 2021**

| | Budget 2021 | 2021 | 2020 |
|--|------------------------|-----------------------|----------------------|
| ANNUAL SURPLUS (DEFICIT) | \$ (15,307,730) | \$ (3,785,345) | \$ 13,746,363 |
| Amortization of tangible capital assets | - | 10,166,346 | 9,920,510 |
| Decrease in prepaid expenses | - | 120,999 | 165,469 |
| Decrease in inventory | - | 247,438 | 836,382 |
| Write down of capital assets | - | 528,317 | - |
| Acquisition of tangible capital assets | - | (13,621,017) | (8,147,646) |
| | - | (2,557,917) | 2,774,715 |
| INCREASE (DECREASE) IN NET FINANCIAL ASSETS | (15,307,730) | (6,343,262) | 16,521,078 |
| NET FINANCIAL ASSETS - BEGINNING OF YEAR | 45,887,590 | 45,887,590 | 29,366,512 |
| NET FINANCIAL ASSETS - END OF YEAR | \$ 30,579,860 | \$ 39,544,328 | \$ 45,887,590 |

See notes to financial statements

MUSHUAU INNU FIRST NATION
Consolidated Statement of Cash Flows
Year Ended March 31, 2021

| | 2021 | 2020 |
|---|----------------------|----------------------|
| OPERATING ACTIVITIES | | |
| Annual surplus (deficit) | \$ (3,785,345) | \$ 13,746,363 |
| Items not affecting cash: | | |
| Amortization of property, plant and equipment | 10,166,346 | 9,920,510 |
| Share of income in earnings of business enterprises | (6,251,558) | (2,396,544) |
| Write down of investment | 1,487,316 | - |
| Write down of capital assets | 528,317 | - |
| | 2,145,076 | 21,270,329 |
| Changes in non-cash working capital: | | |
| Accounts receivable | 872,942 | 689,751 |
| Due from government | 128,331 | 3,762,075 |
| Inventory | 247,438 | 836,383 |
| Inventory for resale | 91,583 | (42,178) |
| Accounts payable | 650,498 | 769,941 |
| Deferred revenue | 7,120,249 | (1,151,147) |
| Prepaid expenses | 120,998 | 165,473 |
| Trust funds held by federal government | (119,684) | 275,740 |
| Due to government | 99,754 | 159,479 |
| | 9,212,109 | 5,465,517 |
| Cash flow from operating activities | 11,357,185 | 26,735,846 |
| INVESTING ACTIVITIES | | |
| Funds received from business enterprises | 2,154,312 | 2,428,962 |
| Investment in business enterprises | (1,487,316) | - |
| Cash flow from investing activities | 666,996 | 2,428,962 |
| FINANCING ACTIVITIES | | |
| Repayment to related parties - net | 703,331 | 381,655 |
| Repayment of long term debt | (521,737) | (493,154) |
| Cash flow from (used by) financing activities | 181,594 | (111,499) |
| CAPITAL ACTIVITIES | | |
| Acquisition of tangible capital assets | (13,621,017) | (8,147,646) |
| INCREASE (DECREASE) IN CASH FLOW | (1,415,242) | 20,905,663 |
| Cash - beginning of year | 28,798,647 | 7,892,984 |
| CASH - END OF YEAR | \$ 27,383,405 | \$ 28,798,647 |
| CASH CONSISTS OF: | | |
| Cash and cash equivalents | \$ 27,383,405 | \$ 28,798,647 |

See notes to financial statements

MUSHUAU INNU FIRST NATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2021

1. OPERATIONS

Mushuau Innu First Nation (the "First Nation") is located in the province of Newfoundland and Labrador and provides various services to its members. Mushuau Innu First Nation includes the First Nation's members, government and all related entities that are accountable to the First Nation and are controlled by the First Nation.

Impact on operations of COVID-19 (coronavirus)

In early March 2020 the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

The organization's operations were impacted by COVID-19 due to closure of the organization's operations.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements were prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of CPA Canada.

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.

Cash and cash equivalents

Cash and cash equivalents includes balances with banks and term deposits that can be redeemed within three months or less at acquisition which are held for the purpose of meeting short term cash commitments.

Inventories for resale

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

(continues)

MUSHUAU INNU FIRST NATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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
- Mushuau EPH and Group Home Inc.
- Natuashish Shipping Limited Partnership
- Natuashish Shipping GP Inc.

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.

The First Nation does not share in the control of the following entities. As a result, the financial statements of the following entities have not been consolidated or proportionately consolidated with the financial statements of the First Nation.

The Innu Nation represents the Innu of Labrador in comprehensive land rights negotiations and the negotiation of resource agreements in Labrador. This leadership of this entity is elected by the general elections and as such are not controlled by this First Nation.

Mamu Tshishkutamashutau Innu Education Inc. provides primary and secondary education to the Innu students in Natuashish and Sheshatshiu. This First Nation appoints half the trustees for this organization but the organization operates totally independent of the First Nation.

Innu Round Table Secretariat is the implementation arm of the Round Table and is mainly involved with the devolution of programs to the Innu of Labrador. This First Nation appoints a third of the directors of this organization but the organization operates totally independent of the First Nation.

Asset classification

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

(continues)

MUSHUAU INNU FIRST NATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tangible capital assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or services.

In the first year of use capital assets are amortized at 50% of the normal rate

| | | |
|--------------------------|----------|----------------------|
| Infrastructure | 40 years | straight-line method |
| Buildings and housing | 20 years | straight-line method |
| Wharf | 20 years | straight-line method |
| Equipment | 5 years | straight-line method |
| Transportation equipment | 5 years | straight-line method |

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Inventories held for use

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

Net debt

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

Revenue recognition

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

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.

(continues)

MUSHUAU INNU FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement uncertainty

In preparing the financial statements for the government of Mushuau Innu First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Examples of significant estimates include:

- providing for amortization of tangible capital assets;
- the estimated useful lives of assets;
- the allowance for doubtful accounts.

Segments

The First Nation conducts its business through six reportable segments: education, health, economic development, housing, community services and governance. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Administration fees have been apportioned based on a percentage of budgeted revenue, where permitted by the funder. Internal program contributions related to administration and rent are recorded at the exchange amount.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements.

3. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

| | 2021 | 2020 |
|-----------------|-------------------|-------------|
| Opening balance | \$ - | \$ 275,740 |
| Additions | 119,684 | 5,064 |
| Withdrawals | - | (280,804) |
| | \$ 119,684 | \$ - |

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. The additions are recognized as revenue when the funds are transferred into the trust.

MUSHUAU INNU FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2021

4. ACCOUNTS RECEIVABLE

| | 2021 | 2020 |
|---------------------------------|---------------------|--------------|
| Due from members | \$ 45,716 | \$ 54,015 |
| Due from non members | 2,654,904 | 3,573,940 |
| | 2,700,620 | 3,627,955 |
| Allowance for doubtful accounts | (14,203) | (68,596) |
| | \$ 2,686,417 | \$ 3,559,359 |

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 \$205,244 (2020 - \$296,827) will be sold to third parties, and \$609,549 (2020 - \$856,987) will be used in operations.

6. DUE FROM GOVERNMENT

| | 2021 | 2020 |
|---|---------------------|--------------|
| Indigenous Services Canada | \$ 3,386,179 | \$ 3,617,142 |
| Health Canada | 296,477 | 28,347 |
| Canada Revenue Agency - HST | 1,044,384 | 1,182,717 |
| Government of Newfoundland and Labrador | 35,141 | 62,306 |
| | \$ 4,762,181 | \$ 4,890,512 |

MUSHUAU INNU FIRST NATION**Notes to Consolidated Financial Statements****Year Ended March 31, 2021****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:

| | 2021 | 2020 |
|---|----------------------|---------------|
| Innu Development Limited Partnership | \$ 17,706,968 | \$ 14,739,693 |
| Mushuau Camp and Catering Limited Partnership | 8,185,320 | 7,055,460 |
| Mushuau Innu Camp and Catering Inc. | 39,483 | 39,369 |
| | \$ 25,931,771 | \$ 21,834,522 |

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

| | 2021 | 2020 |
|-------------------------------------|--------------------------|------------------|
| Cash | \$ 3,587,686 | \$ 3,501,896 |
| Accounts receivable | 85,385 | 83,231 |
| Prepaid expenses | 5,338 | 5,172 |
| Due from related parties | 7,221,891 | 7,475,841 |
| Tangible capital assets | 96,823 | 104,666 |
| Long term investments | 23,663,687 | 18,451,103 |
| Intangible assets | 562,000 | 562,000 |
| Total Assets | \$ 35,222,810 | \$ 30,183,909 |
| Total liabilities | \$ 167,787 | \$ 87,699 |
| Equity | 35,055,023 | 30,096,210 |
| Total Liabilities and Equity | \$ 35,222,810 | \$ 30,183,909 |
| Revenue | \$ 12,716,687 | \$ 7,343,405 |
| Expenses | (2,925,574) | (3,583,374) |
| Net Income | \$ 9,791,113 | \$ 3,760,031 |

(continues)

MUSHUAU INNU FIRST NATION**Notes to Consolidated Financial Statements****Year Ended March 31, 2021****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:

| | 2021 | 2020 |
|-------------------------------------|---------------------|---------------------|
| Due from related parties | \$ 1,855,533 | \$ 1,855,533 |
| Long term investments | 6,395,123 | 5,487,960 |
| Total Assets | \$ 8,250,656 | \$ 7,343,493 |
| Total liabilities | \$ 64,010 | \$ 286,820 |
| Equity | 8,186,646 | 7,056,673 |
| Total Liabilities and Equity | \$ 8,250,656 | \$ 7,343,493 |
| Revenue | \$ 1,129,973 | \$ 558,713 |
| Expenses | - | (12,179) |
| Net Income | \$ 1,129,973 | \$ 546,534 |

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

| | 2021 | 2020 |
|-------------------------------------|------------------|------------------|
| Due from related party | \$ 39,670 | \$ 39,670 |
| Long term investment | 1,327 | 1,213 |
| Total Assets | \$ 40,997 | \$ 40,883 |
| Total liabilities | \$ 1,514 | \$ 1,514 |
| Equity | 39,483 | 39,369 |
| Total Liabilities and Equity | \$ 40,997 | \$ 40,883 |
| Revenue | \$ 114 | \$ 55 |
| Expenses | - | - |
| Net Income | \$ 114 | \$ 55 |

MUSHUAU INNU FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2021

8. PAYABLES AND ACCRUALS

| | 2021 | 2020 |
|-------------------------------------|---------------------|---------------------|
| Trade payables | \$ 2,980,960 | \$ 2,762,869 |
| Other accrued liabilities | 1,715,291 | 960,506 |
| Accrued salary and benefits payable | 104,683 | 427,061 |
| | \$ 4,800,934 | \$ 4,150,436 |

9. DUE TO GOVERNMENTS

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Health Canada | \$ 881,123 | \$ 867,658 |
| Canada Revenue Agency - Employee Deductions Payable | 6,251 | (2,927) |
| Public Safety Canada | 120,988 | - |
| Indigenous Services Canada | 416,709 | 460,586 |
| | \$ 1,425,071 | \$ 1,325,317 |

MUSHUAU INNU FIRST NATION**Notes to Consolidated Financial Statements****Year Ended March 31, 2021****10. DUE TO RELATED PARTIES**

| | 2021 | 2020 |
|--|---------------------|--------------|
| Due to Mushuau Innu General Store Inc. | \$ 2,254,958 | \$ 1,751,258 |
| Due to (from) Labrador Innu Round Table | (355) | (4,997) |
| Due to Innu Development Limited Partnership | 325,225 | 325,225 |
| Due from Mamu Tshishkutamashutau Innu Education Inc. | - | (82,870) |
| Due to Ueushuk Limited Partnership | - | 25,000 |
| Due from Dobson Contracting Limited | 130,102 | (7,019) |
| | \$ 2,709,930 | \$ 2,006,597 |

The above amounts are interest free, unsecured, with no specific terms of repayment.

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% in the Innu Development Limited Partnership.

Innu Development Limited Partnership controls Ueushuk Limited Partnership.

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

A significant number of the board of Mamu Tshishkutamashutau Innu Education Inc. are appointed by the First Nation.

Dobson Contracting Limited is party to an agreement with the First Nation to construct buildings in the community and share in any related profits.

Expenses include \$742,694 (2020 - \$773,761) paid or payable to a related party.

Revenue includes \$740,504 (2020 - \$656,773) received or receivable from a related party.

Capital additions includes \$1,935,594 (2020 - \$1,548,717) paid or payable to a related party.

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

11. DEFERRED REVENUE

| | Opening | Used | Current year | 2021 | 2020 |
|---|---------------------|---------------------|---------------------|----------------------|---------------------|
| Indigenous Services Canada | \$ 3,467,524 | \$ 1,831,903 | \$ 3,699,563 | \$ 5,335,184 | \$ 3,467,524 |
| Sheshatshiu and Mushuau Innu First Nation Trust | 210,242 | 158,172 | 3,801,473 | 3,853,543 | 210,242 |
| Health Canada | 315,012 | 280,778 | 1,890,066 | 1,924,300 | 315,012 |
| | \$ 3,992,778 | \$ 2,270,853 | \$ 9,391,102 | \$ 11,113,027 | \$ 3,992,778 |

MUSHUAU INNU FIRST NATION**Notes to Consolidated Financial Statements****Year Ended March 31, 2021****12. LONG TERM DEBT**

| | 2021 | 2020 |
|---|---------------------|--------------|
| RBC loan bearing interest at 2.32% per annum, repayable in monthly blended payments of \$48,180. The loan matures on November 20, 2023. | \$ 1,495,412 | \$ 2,017,149 |
| | \$ 1,495,412 | \$ 2,017,149 |

The First Nation has provided a general security agreement and assignment of the First Nations net proceeds of the Innu Infrastructure Park Trust and an irrevocable band council resolution to direct distributions from Innu Development Limited Partnership to the bank if requested as security for the demand loan.

Principal repayment terms are approximately:

| | |
|------|---------------------|
| 2022 | \$ 549,338 |
| 2023 | 562,219 |
| 2024 | 383,855 |
| | <u>\$ 1,495,412</u> |

13. GOVERNMENT TRANSFERS

| | Operating | Capital | 2021 | 2020 |
|---|----------------------|---------------------|----------------------|---------------|
| Indigenous Services Canada | \$ 9,753,939 | \$ 1,011,511 | \$ 10,765,450 | \$ 10,201,965 |
| Health Canada | 4,486,965 | 1,343,792 | 5,830,757 | 4,200,308 |
| Service Canada | 557,542 | - | 557,542 | 553,716 |
| Woman and Gender Equality Canada | 299,675 | - | 299,675 | 45,780 |
| Department of Fisheries and Oceans Canada | 552,200 | - | 552,200 | - |
| Public Safety Canada | 36,635 | 60,100 | 96,735 | - |
| | 15,686,956 | 2,415,403 | 18,102,359 | 15,001,769 |
| Government of Newfoundland and Labrador | 2,087,368 | 89,312 | 2,176,680 | 2,231,222 |
| | \$ 17,774,324 | \$ 2,504,715 | \$ 20,279,039 | \$ 17,232,991 |

MUSHUAU INNU FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2021

14. EXPENSES BY OBJECT

| | 2021 | 2020 |
|-----------------------|----------------------|----------------------|
| Salaries and Wages | \$ 12,914,418 | \$ 12,342,995 |
| Amortization | 10,166,346 | 9,920,509 |
| Travel | 2,280,817 | 4,110,397 |
| Other | 5,538,282 | 4,024,476 |
| Professional Fees | 1,953,694 | 1,730,761 |
| Repairs & Maintenance | 1,247,552 | 1,076,449 |
| Supplies | 6,454,934 | 8,629,836 |
| Community Payouts | 623,500 | 7,407,000 |
| Interest | 93,306 | 134,085 |
| | \$ 41,272,849 | \$ 49,376,508 |

15. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been provided by management.

16. CONTINGENT LIABILITY

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 \$870,254 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
Year Ended March 31, 2021

17. TANGIBLE CAPITAL ASSETS

| | Cost | | | | Accumulated Amortization | | | | Net Book Value | |
|--------------------------|--------------------|-------------------|----------------|--------------------|--------------------------|-------------------|-----------|--------------------|-------------------|-------------------|
| | Opening Balance | Additions | Disposals | Closing Balance | Opening Balance | Amortization | Disposals | Closing Balance | Total 2021 | Total 2020 |
| Infrastructure | 52,194,800 | 1,175,795 | - | 53,370,595 | 20,501,019 | 1,319,567 | - | 21,820,586 | 31,550,009 | 31,693,781 |
| Buildings | 76,436,483 | 1,097,283 | - | 77,533,766 | 51,416,445 | 3,809,902 | - | 55,226,347 | 22,307,419 | 25,020,038 |
| Housing | 67,013,665 | 10,323,073 | - | 77,336,738 | 48,785,221 | 3,479,722 | - | 52,264,943 | 25,071,795 | 18,228,444 |
| Wharf | 11,229,814 | - | - | 11,229,814 | 7,860,874 | 561,491 | - | 8,422,365 | 2,807,449 | 3,368,940 |
| Vessel under refit | 528,317 | - | 528,317 | - | - | - | - | - | - | 528,317 |
| Equipment | 5,856,552 | 527,914 | - | 6,384,466 | 3,678,908 | 751,245 | - | 4,430,153 | 1,954,313 | 2,177,644 |
| Transportation equipment | 1,224,348 | 496,952 | - | 1,721,300 | 587,020 | 244,419 | - | 831,439 | 889,861 | 637,328 |
| Total | 214,483,979 | 13,621,017 | 528,317 | 227,576,679 | 132,829,487 | 10,166,346 | - | 142,995,833 | 84,580,846 | 81,654,492 |

See notes to financial statements

Mushuau Innu First Nation
Notes to the Financial Statements
March 31, 2021

17. 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:

20

| | Education | | | Health | | | Economic Development | | |
|---|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|----------------|
| | Budget 2021 | Actual 2021 | Actual 2020 | Budget 2021 | Actual 2021 | Actual 2020 | Budget 2021 | Actual 2021 | Actual 2020 |
| Revenue | | | | | | | | | |
| Federal government operating transfers | \$ 539,911 | \$ 539,911 | \$ 548,197 | \$ 6,121,546 | \$ 4,411,156 | \$ 4,113,903 | \$ 144,205 | \$ 65,440 | \$ 85,440 |
| Federal government capital transfers | - | - | - | 1,548,143 | 1,343,792 | 103,834 | - | - | - |
| Government of NL operating transfers | - | - | - | - | - | 13,040 | - | - | - |
| Government of NL capital transfers | - | - | - | - | - | - | - | - | - |
| Other revenue | 911,073 | 911,073 | 3,290,540 | 178,200 | 178,200 | 933,963 | - | - | 247,569 |
| Share of income in business enterprises | - | - | - | - | - | - | - | - | - |
| Total Revenue | 1,450,984 | 1,450,984 | 3,838,737 | 7,847,889 | 5,933,148 | 5,164,740 | 144,205 | 65,440 | 333,009 |
| Expenditures | | | | | | | | | |
| Wages and benefits | 231,747 | 256,248 | 136,580 | 3,872,087 | 3,242,402 | 3,042,675 | 79,100 | 65,440 | 65,440 |
| Interest expense | - | - | - | - | - | - | - | - | - |
| Other expense | 2,346,887 | 773,941 | 1,571,184 | 4,923,068 | 2,586,324 | 1,984,309 | 78,765 | 434 | 882 |
| Total expenses before amortization | 2,578,634 | 1,030,189 | 1,707,764 | 8,795,155 | 5,828,726 | 5,026,984 | 157,865 | 65,874 | 66,322 |
| Amortization | - | 1,097,910 | 1,076,093 | - | 615,620 | 602,949 | - | 266,880 | 266,687 |
| Total Expenses | 2,578,634 | 2,128,099 | 2,783,857 | 8,795,155 | 6,444,346 | 5,629,933 | 157,865 | 332,754 | 333,009 |
| Annual Surplus (deficit) | \$ (1,127,650) | \$ (677,115) | \$ 1,054,880 | \$ (947,266) | \$ (511,198) | \$ (465,193) | \$ (13,660) | \$ (267,314) | \$ - |

Mushuau Innu First Nation
Notes to the Financial Statements
March 31, 2021

17. Segment Disclosure (continued)

21

| | Housing | | | Community Services | | | Governance | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-------------------|-----------------------|---------------------|---------------------|----------------------|
| | Budget 2021 | Actual 2021 | Actual 2020 | Budget 2021 | Actual 2021 | Actual 2020 | Budget 2021 | Actual 2021 | Actual 2020 |
| Revenue | | | | | | | | | |
| Federal government operating transfers | \$ 377,408 | \$ 377,408 | \$ 289,287 | \$ 11,586,738 | \$ 8,494,618 | \$ 8,144,902 | \$ 1,785,331 | \$ 1,798,423 | \$ 1,521,119 |
| Federal government capital transfers | 660,000 | 600,000 | - | 505,327 | 471,611 | 195,086 | - | - | - |
| Government of NL operating transfers | - | - | - | 1,977,532 | 2,087,368 | 2,182,032 | - | - | 36,150 |
| Government of NL capital transfers | - | - | - | 72,500 | 89,312 | - | - | - | - |
| Other revenue | 1,484,001 | 1,555,768 | 4,001,583 | 4,442,971 | 4,326,048 | 12,211,422 | 2,119,172 | 3,985,818 | 22,808,259 |
| Share of income in business enterprises | - | - | - | 951,500 | 6,244,676 | 2,256,025 | 48,500 | 6,882 | 140,520 |
| Total Revenue | 2,521,409 | 2,533,176 | 4,290,870 | 19,536,568 | 21,713,633 | 24,989,467 | 3,953,003 | 5,791,123 | 24,506,048 |
| Expenditures | | | | | | | | | |
| Wages and benefits | 1,733,445 | 1,308,557 | 1,115,250 | 6,266,890 | 5,748,655 | 6,941,085 | 2,038,024 | 2,293,116 | 1,041,968 |
| Interest expense | - | - | - | 3,000 | 2,234 | 2,152 | 125,000 | 91,074 | 131,931 |
| Other expense | 10,163,550 | 1,062,271 | 1,509,679 | 16,908,092 | 10,944,845 | 19,240,949 | 1,992,133 | 715,334 | 2,671,915 |
| Total expenses before amortization | 11,896,995 | 2,370,828 | 2,624,929 | 23,177,982 | 16,695,734 | 26,184,186 | 4,155,157 | 3,099,523 | 3,845,814 |
| Amortization | - | 3,479,721 | 3,402,673 | - | 4,439,872 | 4,290,412 | - | 266,342 | 281,695 |
| Total Expenses | 11,896,995 | 5,850,550 | 6,027,602 | 23,177,982 | 21,135,606 | 30,474,598 | 4,155,157 | 3,365,865 | 4,127,509 |
| Annual Surplus (deficit) | \$ (9,375,586) | \$ (3,317,374) | \$ (1,736,732) | \$ (3,641,414) | \$ 578,027 | \$ (5,485,131) | \$ (202,154) | \$ 2,425,258 | \$ 20,378,539 |

Mushuau Innu First Nation
Notes to the Financial Statements
March 31, 2021

17. Segment Disclosure (continued)

22

| | Budget 2021 | Total Actual 2021 | Actual 2020 |
|---|-----------------|-------------------------|----------------|
| Revenue | | | |
| Federal government operating transfers | \$ 20,555,139 | \$ 15,686,956 | \$ 14,702,848 |
| Federal government capital transfers | 2,713,470 | \$ 2,415,403 | 298,920 |
| Government of NL operating transfers | 1,977,532 | \$ 2,087,368 | 2,231,222 |
| Government of NL capital transfers | 72,500 | \$ 89,312 | - |
| Other revenue | 9,135,417 | \$ 10,956,907 | 43,493,336 |
| Share of income in business enterprises | 1,000,000 | \$ 6,251,558 | 2,396,545 |
| Total Revenue | 35,454,058 | 37,487,504 | 63,122,871 |
| Expenditures | | | |
| Wages and benefits | 14,221,293 | \$ 12,914,417 | \$ 12,342,998 |
| Interest expense | 128,000 | \$ 93,308 | \$ 134,083 |
| Other expense | 36,412,495 | \$ 16,083,149 | \$ 26,978,918 |
| Total expenses before amortization | 50,761,788 | 29,090,874 | 39,455,999 |
| Amortization | - | \$ 10,166,345 | \$ 9,920,509 |
| Total Expenses | 50,761,788 | 39,257,219 | 49,376,508 |
| Annual Surplus (deficit) before other items | \$ (15,307,730) | \$ (1,769,715) | \$ 13,746,363 |