

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

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INDEPENDENT AUDITORS' REPORT

1.

To the Chief and Council of the
Sheshatshiu Innu First Nation

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the Sheshatshiu Innu First Nation as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Other Matters

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

St. John's, Newfoundland and Labrador

July 28, 2014


Chartered Accountants

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

FINANCIAL ASSETS

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents (Note 2)	\$ 3,058,817	\$ 2,472,059
Trust funds held by federal government (Note 3)	76,773	12,943
Accounts receivable (Note 4)	112,802	501,335
Due from government (Note 5)	3,389,455	3,350,107
Investment in government business enterprises (Note 7)	<u>9,245,369</u>	<u>7,820,941</u>
	<u>15,863,216</u>	<u>14,157,385</u>

LIABILITIES

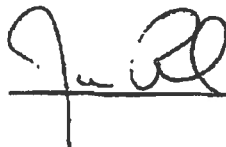
Payables and accruals (Note 8)	2,415,282	1,493,834
Due to government (Note 9)	79,839	92,646
Deferred revenue (Note 10)	583,733	620,504
Due to related parties (Note 11)	480,980	501,089
Long term debt (Note 12)	<u>12,082,739</u>	<u>13,408,539</u>
	<u>15,642,373</u>	<u>16,116,412</u>
Net Financial Assets (Debt)	<u>220,843</u>	<u>(1,959,027)</u>

NON-FINANCIAL ASSETS

Tangible capital assets (Note 13)	85,905,970	89,089,216
Prepaid expenses	<u>172,703</u>	<u>219,782</u>
	<u>86,078,673</u>	<u>89,308,998</u>
Guarantees (Note 16)		
Accumulated surplus	\$ <u>66,299,516</u>	\$ <u>67,349,971</u>

ON BEHALF OF THE COUNCIL

 Chief

 Councilor

SHESHATSHIU INNU FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGE IN ACCUMULATED
SURPLUS
FOR THE YEAR ENDED MARCH 31, 2014

	<u>Budget 2014</u>	<u>Actual 2014</u>	<u>Actual 2013</u>
Revenue			
Federal government operating transfers (Note 14) \$	10,731,265	\$ 10,386,243	\$ 9,915,447
Federal government transfers for capital (Note 14)	-	-	-
Provincial government operating transfers (Note 14)	1,587,806	3,211,778	3,782,065
Sheshatshiu and Mushuau Innu			
First Nations trust	3,891,925	4,745,350	8,428,851
Innu Nation	19,600	15,000	177,995
Innu Development Limited Partnership	-	262,000	-
Interest	-	15,335	20,824
Rental income	160,000	420,160	397,023
Miscellaneous revenues	2,551,797	678,216	378,908
Infrastructure park	-	288,678	729,911
Share of income in business enterprises (Note 7)	<u>1,772,250</u>	<u>3,370,990</u>	<u>3,049,013</u>
Total revenue	<u>20,714,643</u>	<u>23,393,750</u>	<u>26,880,037</u>
Expenditure			
Aboriginal Head Start	230,741	222,408	219,321
Arena operations	325,000	336,378	307,501
Band support	3,751,040	3,463,588	4,639,142
Community youth network	66,660	51,374	51,704
Community justice	201,101	128,358	160,043
Economic development	227,099	185,200	361,648
Education	-	991,539	991,539
Group home	786,300	786,920	806,638
Sewage Treatment	302,898	224,305	-
Adult care	232,700	232,701	179,704
IRT Health	861,500	867,355	327,501
Housing and infrastructure	2,620,473	5,678,083	6,106,265
Innu round table	1,052,637	1,052,637	717,266
Outpost program	850,000	850,632	824,630
ASETS	736,915	623,910	674,517
Health	3,790,960	3,978,703	4,135,740
Public works	643,825	447,769	809,593
Recreation	502,863	413,556	450,312
Safe house	404,000	422,395	465,978
Shelter	399,198	381,409	394,853
Community assistance	<u>2,728,733</u>	<u>3,104,985</u>	<u>5,534,345</u>
Total expenditure	<u>20,714,643</u>	<u>24,444,205</u>	<u>28,158,240</u>
Annual Deficit	-	(1,050,455)	(1,278,203)
Accumulated surplus, beginning of year	<u>67,349,971</u>	<u>67,349,971</u>	<u>68,628,174</u>
Accumulated surplus, end of year	<u>\$ 67,349,971</u>	<u>\$ 66,299,516</u>	<u>\$ 67,349,971</u>

Gardner Coombs
Winsor Coombs

Chartered Accountants

**SHESHATSHIU INNU FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Budget 2014</u>	<u>Actual 2014</u>	<u>Actual 2013</u>
Annual Deficit	\$ -	\$ (1,050,455)	\$ (1,278,203)
Acquisition of tangible capital assets	(1,505,697)	(1,721,960)	(3,951,174)
Amortization of tangible capital assets	-	4,905,206	4,953,070
Acquisition of prepaid expense	-	(172,703)	(219,782)
Use of prepaid expenses	<u>-</u>	<u>219,782</u>	<u>-</u>
Change in net financial assets (debt)	(1,505,697)	2,179,870	(496,089)
Net debt, beginning of year	<u>(1,959,027)</u>	<u>(1,959,027)</u>	<u>(1,462,938)</u>
Net Assets (debt), end of year	<u>\$ (3,464,724)</u>	<u>\$ 220,843</u>	<u>\$ (1,959,027)</u>

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

Cash from (used for)

	<u>2014</u>	<u>2013</u>
Operating transactions		
Annual deficit	\$ (1,050,455)	\$ (1,278,203)
Amortization	4,905,206	4,953,070
Non-cash items (Note 17)	1,204,195	1,327,483
Share of income in earnings of business enterprises	<u>(3,370,990)</u>	<u>(3,049,013)</u>
	<u>1,687,956</u>	<u>1,953,337</u>
Capital activity		
Purchases of capital assets	<u>(1,721,960)</u>	<u>(3,951,174)</u>
Financing activities		
Proceeds from long term debt	90,146	1,014,771
Repayment of long term debt	<u>(1,415,946)</u>	<u>(1,067,550)</u>
	<u>(1,325,800)</u>	<u>(52,779)</u>
Investing activities		
Distribution of earnings in business enterprises	<u>1,946,562</u>	<u>1,357,975</u>
Decrease in cash	586,758	(692,641)
Cash, beginning of year (Note 2)	<u>2,472,059</u>	<u>3,164,700</u>
Cash, end of year (Note 2)	<u>\$ 3,058,817</u>	<u>\$ 2,472,059</u>

Interest paid during the year was \$379,878 (2013 - \$427,385).
Interest received during the year was \$15,335 (2013 - \$20,824)

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

1. Significant Accounting Policies

a) Basis of Accounting

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

b) Reporting Entity

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

c) Principles of Consolidation

All activities of the First Nation are included in these statements. A commercial enterprise that meets the definition of a government business enterprise, Innu Development Limited Partnership, is included in these consolidated statements on a modified equity basis

d) Cash and cash equivalents

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

e) 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

Tangible capital assets purchased or constructed after March 31, 1997 are reported at net book value. Tangible capital assets purchased or constructed prior to April 1, 1997 are not reflected in the First Nation's tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

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

Roads	10 years
Residential buildings	20 years
Community buildings	20 years
Water and sewer system	25 years
Recreation	10 years
Equipment	3 years
Vehicles	5 years

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

f) 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 are not for resale. Non-financial assets include tangible capital assets, prepaid expenses and inventories of supplies.

g) 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.

h) 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.

i) Measurement Uncertainty

In preparing the financial statements for the government of the Sheshatshiu 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
- allowance for doubtful accounts

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

2. Cash and cash equivalents

	<u>2014</u>	<u>2013</u>
Unrestricted cash	\$ 2,508,235	\$ 2,031,944
Cash restricted for CMHC reserves	<u>550,582</u>	<u>440,115</u>
	<u>\$ 3,058,817</u>	<u>\$ 2,472,059</u>

3. Trust funds held by federal government

	<u>2014</u>	<u>2013</u>
Opening balance	\$ 12,943	\$ -
Additions	90,780	12,943
Withdrawals	<u>(26,950)</u>	<u>-</u>
Closing balance	<u>\$ 76,773</u>	<u>\$ 12,943</u>

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

4. Accounts Receivable

	<u>2014</u>	<u>2013</u>
Due from members	\$ 49,919	\$ 867,192
Due from non-members	<u>101,888</u>	<u>734,394</u>
	151,807	1,601,586
Less: allowance for doubtful accounts	<u>39,005</u>	<u>1,100,251</u>
	<u>\$ 112,802</u>	<u>\$ 501,335</u>

5. Due from governments

	<u>2014</u>	<u>2013</u>
Aboriginal Affairs and Northern Development Canada	\$ 329,319	\$ -
Public Health Agency	18,600	-
Health Canada	79,237	-
Canada Revenue Agency - HST	366,558	356,987
Service Canada	11,597	45,107
Canada Mortgage and Housing	-	5,000
Government of Newfoundland and Labrador	<u>2,564,144</u>	<u>2,943,013</u>
	<u>\$ 3,369,455</u>	<u>\$ 3,350,107</u>

SHESHATSHILU INNU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014

13. Tangible Capital Assets

	Cost			Accumulated Amortization			Net Book Value	
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Disposals	Total 2014	Total 2013
Tangible Capital Assets								
Roads	787,975	-	-	787,975	383,237	78,797	325,941	404,738
Residential buildings	36,329,000	917,082	-	37,246,082	11,766,014	1,836,096	23,643,972	24,562,986
Community buildings	32,516,894	302,289	181,153	32,638,030	8,734,466	1,632,796	22,451,921	23,782,428
Water and sewer system	215,509,194	-	-	215,509,194	5,518,631	1,138,732	18,851,831	19,990,563
Recreation	786,259	-	763,284	22,975	769,414	14,549	2,296	16,845
Equipment	1,296,022	-	1,286,324	9,698	1,259,597	30,068	6,357	36,425
Vehicles	512,722	368,616	58,000	823,338	241,791	174,168	465,379	270,931
	97,738,066	1,587,987	2,288,761	97,037,292	28,673,150	4,905,206	65,747,697	69,064,916
Assets Under Construction								
Community buildings	24,300	133,973	-	158,273	-	-	158,273	24,300
Total	97,762,366	1,721,960	2,288,761	97,195,565	28,673,150	4,905,206	65,905,970	69,089,216

Gardner Coombs
Winsor Coombs

Chartered Accountants

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

6. CMHC Reserve

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 552,566	\$ 440,505
Additions to reserve	129,425	153,666
Reserve funds used	<u>(39,848)</u>	<u>(41,605)</u>
Balance, end of year	<u>\$ 642,143</u>	<u>\$ 552,566</u>

Use of CMHC reserve funds are restricted to the replacement and renovation of the CMHC rental properties as directed by the Canada Mortgage and Housing Corporation. Under the terms of the agreement the First Nation is required to hold funds in a specified bank account to fund this reserve. At year-end this reserve was not fully funded. As of year end the First Nation had funded \$550,582 (2013 - \$440,115)

7. Investment in Business Enterprises

The commercial government business enterprise that is included in the First Nation reporting entity is the Innu Development Limited Partnership. The First Nation has a 49.995% ownership position in this limited partnership.

Summary draft financial information for the business enterprise in which the First Nation has an interest is as follows:

	<u>2014</u>	<u>2013</u>
Cash	\$ 1,268,220	\$ 1,172,078
Accounts Receivable	267,537	249,250
Due from Related Parties	5,642,048	5,292,007
Prepays	29,783	3,944
Tangible Capital Assets	57,790	61,138
Long Term Investments	11,458,646	8,689,690
Intangible Assets	<u>562,000</u>	<u>562,000</u>
Total Assets	<u>\$ 19,286,024</u>	<u>\$ 16,030,107</u>
Accounts Payable	\$ 25,926	\$ 38,704
Callable Debt	-	-
Total Liabilities	<u>25,926</u>	<u>38,704</u>
Equity	<u>19,260,098</u>	<u>15,991,403</u>
Total Liabilities and Equity	<u>\$ 19,286,024</u>	<u>\$ 16,030,107</u>
Revenue	\$ 9,940,504	\$ 8,515,877
Expenses	<u>3,196,273</u>	<u>2,155,729</u>
Net Income	<u>\$ 6,744,231</u>	<u>\$ 6,360,148</u>

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

8. Accounts payable and accrued liabilities

	<u>2014</u>	<u>2013</u>
Trade payables	\$ 2,134,472	\$ 1,185,541
Accrued salaries and benefits payable	280,810	305,900
Other accrued liabilities	<u>-</u>	<u>2,193</u>
	<u>\$ 2,415,282</u>	<u>\$ 1,493,634</u>

9. Due to governments

	<u>2014</u>	<u>2013</u>
Aboriginal Affairs and Northern Development Canada	\$ 46,197	\$ -
Health Canada	33,442	18,089
Canada Revenue Agency - Employee deductions payable	<u>-</u>	<u>74,557</u>
	<u>\$ 79,639</u>	<u>\$ 92,646</u>

10. Deferred Revenue

	<u>Opening</u>	<u>Used</u>	<u>Current Year</u>	<u>2014</u>	<u>2013</u>
AANDC	\$ -	\$ -	\$ 33,886	\$ 33,886	\$ -
Govt of NL	-	-	19,631	19,631	-
Unearned Rent	416,667	(100,000)	-	316,667	416,667
CYN	-	-	6,540	6,540	-
Public Health	-	-	4,166	4,166	-
Service Canada	59,760	(59,760)	112,487	112,487	59,760
Trust	144,077	(144,077)	58,356	58,356	144,077
Group Home	<u>-</u>	<u>-</u>	<u>32,000</u>	<u>32,000</u>	<u>-</u>
	<u>\$ 620,504</u>	<u>\$ (303,837)</u>	<u>\$ 267,066</u>	<u>\$ 583,733</u>	<u>\$ 620,504</u>

11. Due to Related Parties

	<u>2014</u>	<u>2013</u>
Due to Innu Development Limited Partnership	\$ 464,477	\$ 489,477
Due to Innu Mikun Limited Partnership	<u>16,503</u>	<u>11,612</u>
	<u>\$ 480,980</u>	<u>\$ 501,089</u>

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

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

11. Due to Related Parties (continued)

The Sheshatshiu Innu First Nation is a limited partner with a 49.995% holding in the Innu Development Limited Partnership

Innu Development is a limited partner with a 50.995% holding in the Innu SNC-Lavalin Limited Partnership

Innu Development is a limited partner with a 99.99% holding in the IDLP Properties Limited Partnership

Capital additions include \$123,250 (2012 - \$Nil) paid or payable to a related party

Expenses include \$292,569 (2012 - \$344,418) 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.

12. Long Term Debt

	<u>2014</u>	<u>2013</u>
a) Royal Bank demand loan bearing interest at 4.30%, repayable in monthly blended payments of \$46,384 due November 2015	\$ 893,545	\$ 1,399,773
b) Bank of Montreal demand loan bearing interest at prime plus 1.5% repayable in monthly principal payments of \$25,000 plus interest, due April 2022	2,414,644	2,705,129
c) Bank of Montreal demand loan bearing interest at prime plus 0.5%, repayable in annual principal payment of \$280,000 commencing April 2013, due April 2017.	1,120,000	1,400,000
d) Canada Mortgage and Housing Corporation, non-interest bearing, forgivable loan.	196,387	217,777
e) CMHC 2.69% mortgage, maturing August 1, 2025 renewable August 1, 2015, payable in monthly principal and interest installments of \$1,151.	136,084	146,142
f) CMHC 1.82% mortgage, maturing September 1, 2026 renewable December 1, 2016, payable in monthly principal and interest installments of \$1,425.	<u>191,424</u>	<u>204,947</u>
Sub total	<u>\$ 4,952,084</u>	<u>\$ 6,073,768</u>

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

12. Long Term Debt (continued)

	<u>2014</u>	<u>2013</u>
Sub total	\$ 4,952,084	\$ 6,073,768
g) CMHC 1.53% mortgage, maturing October 1, 2027 renewable December 1, 2017, payable in monthly principal and interest installments of \$980.	144,372	153,866
h) CMHC 1.81% mortgage, maturing May 1, 2029 renewable April 1, 2014, payable in monthly principal and interest installments of \$1,030	164,223	173,554
i) CMHC 2.26% mortgage, maturing July 1, 2031 renewable August 1, 2016, payable in monthly principal and interest installments of \$1,097.	189,072	197,893
j) CMHC 2.39% mortgage, maturing September 1, 2035 renewable September 1, 2015, payable in monthly principal and interest installments of \$1,102.	222,779	230,627
k) CMHC 2.39% mortgage, maturing September 1, 2035 renewable September 1, 2015, payable in monthly principal and interest installments of \$2,403	485,861	502,975
l) CMHC 2.61% mortgage, maturing September 1, 2034 renewable September 1, 2014, payable in monthly principal and interest installments of \$1,814.	346,182	358,830
m) CMHC 2.61% mortgage, maturing September 1, 2034 renewable September 1, 2014, payable in monthly principal and interest installments of \$3,125.	596,400	618,194
n) CMHC 2.23% mortgage, maturing June 1, 2034 renewable August 1, 2014, payable in monthly principal and interest installments of \$1,956	382,991	397,824
o) CMHC 2.23% mortgage, maturing June 1, 2034 renewable August 1, 2014, payable in monthly principal and interest installments of \$1,317.	258,022	268,006
p) CMHC 1.71% mortgage, maturing July 1, 2032 renewable September 1, 2017, payable in monthly principal and interest installments of \$3,522	665,935	696,623
q) CMHC 1.71% mortgage, maturing July 1, 2032 renewable September 1, 2017, payable in monthly principal and interest installments of \$2,654	<u>501,896</u>	<u>525,025</u>
Sub total	\$ <u>8,909,817</u>	\$ <u>10,197,185</u>

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

12. Long Term Debt (continued)

	<u>2014</u>	<u>2013</u>
Sub total	\$ 8,909,817	\$ 10,197,185
r) CMHC 1.71% mortgage, maturing July 1, 2032 renewable September 1, 2017, payable in monthly principal and interest installments of \$5,884.	1,112,645	1,163,919
s) CMHC 2.26% mortgage, maturing July 1, 2031 renewable August 1, 2016, payable in monthly principal and interest installments of \$2,308.	397,996	416,565
t) CMHC 2.26% mortgage, maturing July 1, 2031 renewable August 1, 2016, payable in monthly principal and interest installments of \$1,846	318,369	333,223
u) CMHC 2.37% mortgage, maturing July 1, 2036 renewable June 1, 2016, payable in monthly principal and interest installments of \$1,060.	220,950	228,384
v) CMHC 2.97% mortgage, maturing March 1, 2036 renewable April 1, 2016, payable in monthly principal and interest installments of \$1,588	308,763	318,591
w) CMHC 1.92% mortgage, maturing April 1, 2037 renewable April 1, 2017, payable in monthly principal and interest installments of \$946.	212,093	219,337
x) CMHC 1.65% mortgage, maturing June 1, 2037 renewable June 1, 2017, payable in monthly principal and interest installments of \$1,110.	257,615	266,642
y) CMHC 1.65% mortgage, maturing June 1, 2037 renewable June 1, 2017, payable in monthly principal and interest installments of \$732	169,859	175,811
z) CMHC 1.65% mortgage, maturing June 1, 2037 renewable June 1, 2017, payable in monthly principal and interest installments of \$370	85,873	88,882
aa) CMHC 2.02% mortgage, maturing August 1, 2038 renewable August 1, 2018, payable in monthly principal and interest installments of \$383	<u>88,759</u>	<u>-</u>
	<u>\$ 12,082,739</u>	<u>\$ 13,408,539</u>

7)

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

12. Long Term Debt (continued)

Security and conditions:

The Canada Mortgage and Housing Corporation forgivable loan for \$196,387 will be forgiven in equal annual amounts over 15 years 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 property as a safe house

The remaining CMHC loans are covered by a ministerial guarantee

The First Nation has provided a general security agreement and assignment of the First Nations net proceeds of the Innu Infrastructure Park Trust as security for the Royal Bank demand loan.

The First Nation has provided an assignment of fire insurance on a building and an assignment of leases for space in this building as security for the Bank of Montreal prime plus 1 5% demand loan.

A third party has provided a guarantee for the Bank of Montreal prime plus 0.5% loan.

Principal payments required over each of the next five years are as follows

2015 -	\$1,437,000
2016 -	\$1,280,000
2017 -	\$ 926,000
2018 -	\$ 935,000
2019 -	\$ 673,000

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

14. Government Transfers

	2014		
	Operating	Capital	Total
Aboriginal Affairs and Northern Development Canada	\$ 4,782,808	\$ -	\$ 4,782,808
Health Canada	4,336,140	-	4,336,140
Service Canada	610,658	-	610,658
Public Health Agency	184,600	-	184,600
CMHC	<u>472,037</u>	<u>-</u>	<u>472,037</u>
	<u>10,386,243</u>	<u>-</u>	<u>10,386,243</u>
Government of Newfoundland and Labrador	2,328,913	-	2,328,913
Labrador Grenfell Health	<u>882,865</u>	<u>-</u>	<u>882,865</u>
	<u>3,211,778</u>	<u>-</u>	<u>3,211,778</u>
	<u>\$ 13,598,021</u>	<u>\$ -</u>	<u>\$ 13,598,021</u>
	2013		
	Operating	Capital	Total
Aboriginal Affairs and Northern Development Canada	\$ 4,626,201	\$ -	\$ 4,626,201
Health Canada	3,952,854	-	3,952,854
Service Canada	651,980	-	651,980
Public Health Agency	188,766	-	188,766
CMHC	<u>495,646</u>	<u>-</u>	<u>495,646</u>
Total	<u>9,915,447</u>	<u>-</u>	<u>9,915,447</u>
Government of Newfoundland and Labrador	2,882,255	-	2,882,255
Labrador Grenfell Health	<u>899,810</u>	<u>-</u>	<u>899,810</u>
	<u>3,782,065</u>	<u>-</u>	<u>3,782,065</u>
	<u>\$ 13,697,512</u>	<u>\$ -</u>	<u>\$ 13,697,512</u>

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

15. Expenses by Object

	<u>2014</u>	<u>2013</u>
Wages and benefits	\$ 8,260,487	\$ 8,931,805
Amortization	4,905,206	4,953,070
Travel	2,619,195	2,744,459
Professional Fees	1,206,314	960,293
Repairs and Maintenance	2,660,840	2,037,743
Supplies	405,559	744,920
Insurance	314,659	298,887
Community payouts	825,500	3,173,000
Telephone	197,235	218,559
Other	2,669,332	3,668,119
Interest	<u>379,878</u>	<u>427,385</u>
	<u>\$ 24,444,205</u>	<u>\$ 28,158,240</u>

16. Guarantees

Canada Mortgage and Housing Corporation has provided forgivable loans for home renovations. These loans are guaranteed by the individual home owners and the First Nation. These loans are forgiven over a three year period. As at March 31, 2014, these loans have unforgiven balances of \$114,892

17. Non-cash items

	<u>2014</u>	<u>2013</u>
Trust funds held by federal government	\$ (63,830)	\$ (12,943)
Accounts receivable	388,533	983,758
Due from government	(19,348)	944,364
Prepaid expenses	47,079	(219,782)
Payables and accruals	921,648	(679,872)
Due to government	(13,007)	(162,206)
Deferred revenue	(36,771)	48,990
Due to (from) related party	<u>(20,109)</u>	<u>425,174</u>
	<u>\$ 1,204,195</u>	<u>\$ 1,327,483</u>

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

18. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

19. Budgeted Figures

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

20. Pension Plan

Sheshatshiu Innu First Nation provides a defined contribution pension plan for its eligible members. Participation in the DCCP is mandatory. Each Plan Year, members are required to contribute 5.5% of earnings. A member may make additional voluntary contributions up to the maximum permitted under the applicable Legislation. Each Plan Year, Sheshatshiu Innu First Nation (Plan Sponsor) is required to contribute on behalf of each member 5.5% of a member's earnings. The amount of retirement benefit to be received by eligible members will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan.

Sheshatshiu Innu First Nation contributed \$232,722.08 to the DCCP during the fiscal period ending March 31, 2014.

Sheshatshiu Innu First Nation does not have any other obligation with regards to the DCCP as at March 31, 2014.

21. Subsequent Event

Subsequent to year end a related party transferred a fishing lodge to the First Nation for \$1. The related party also agreed to provide a one time \$80,000 subsidy to cover the operations of this lodge.

Sheshatshui Innu First Nation
Notes to the Financial Statements
March 31, 2014

22. Segment Disclosure

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

	Education		Health		Economic Development	
	Budget 2014	Actual 2014	Budget 2014	Actual 2014	Budget 2014	Actual 2014
Revenue						
Federal government	\$ 913,681	\$ 795,258	\$ 4,367,382	\$ 4,317,590	\$ 161,498	\$ 161,499
Provincial government	1,745	-	80,000	150,880	-	-
Other revenue	52,230	49,808	376,528	257,928	65,600	16,504
Share of income in business enterprises	-	-	81,250	352,381	-	-
Total Revenue	967,656	845,066	4,885,160	5,078,759	227,099	178,003
Expenditures						
Wages and benefits	485,632	454,834	2,773,833	2,721,733	104,189	105,903
Amortization		991,539		422,877		
Interest expense						
Other expense	482,024	391,484	2,111,327	1,934,149	122,910	79,297
Total Expenses	967,656	1,837,857	4,885,160	5,078,759	227,099	185,200
Annual Surplus (deficit)	\$ -	\$ (992,791)	\$ -	\$ (141,872)	\$ -	\$ (7,197)

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Winsor Coombs

Chartered Accountants

Sheshatshui Innu First Nation
Notes to the Financial Statements
March 31, 2014

22. Segment Disclosure (continued)

	Budget 2014	Capital Actual 2014	Actual 2013	Community Services		Governance	
				Budget 2014	Actual 2014	Budget 2014	Actual 2013
Revenue							
Federal government	\$ 1,465,893	\$ 1,397,137	\$ 1,844,677	\$ 1,461,762	\$ 1,420,008	\$ 2,361,048	\$ 2,100,433
Provincial government	-	290,500	149,800	1,242,980	2,150,161	283,101	1,419,523
Other revenue	807,580	1,968,273	3,828,584	3,202,755	3,234,604	2,318,629	875,620
Share of income in business enterprises	547,000	605,593	20,000	1,102,000	1,746,861	42,000	1,165,000
Total Revenue	2,820,473	4,261,503	5,844,061	7,009,477	8,551,632	5,004,778	5,560,576
Expenditures							
Wages and benefits	567,821	490,220	590,254	2,020,416	1,937,156	2,822,937	2,950,583
Amortization		3,288,101	3,247,511		42,122		167,170
Interest expense	476,000	379,878	427,385				
Other expense	1,576,652	1,519,884	1,841,115	4,989,061	5,040,444	2,181,841	2,398,698
Total Expenses	2,620,473	5,678,083	6,106,265	7,009,477	7,019,722	5,004,778	5,516,451
Annual Surplus (deficit)	\$ -	\$ (1,416,580)	\$ (262,204)	\$ -	\$ 1,531,910	\$ -	\$ 44,125

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Sheshatshui Innu First Nation
Notes to the Financial Statements
March 31, 2014

22. Segment Disclosure (continued)

	Budget 2014	Total Actual 2014	Actual 2013
Revenue			
Federal government	\$ 10,731,265	\$ 10,386,243	\$ 9,915,447
Provincial government	1,587,806	3,211,778	3,782,065
Other revenue	6,623,322	6,424,739	10,133,512
Share of income in business enterprises	1,772,250	3,370,990	3,049,013
Total Revenue	20,714,643	23,393,750	26,880,037
Expenditures			
Wages and benefits	8,774,828	8,260,487	8,931,805
Amortization	-	4,905,208	4,953,070
Interest expense	476,000	379,878	427,385
Other expense	11,463,815	10,898,634	13,845,980
Total Expenses	20,714,643	24,444,205	28,158,240
Annual Surplus (deficit)	\$ -	\$ (1,050,455)	\$ (1,278,203)

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

23. Health Canada Funding

	<u>Set Funding</u>	<u>Capital Funding</u>	<u>2014 Total</u>	<u>2013 Total</u>
Deferred Revenue - opening	\$ -	\$ -	\$ -	\$ 8,390
Funding	4,253,956	115,726	4,369,682	3,841,535
Funding repaid	(18,189)	-	(18,189)	(2,671)
Repayable funding	(31,151)	(2,291)	(33,442)	(18,089)
Reversal of repayable funding	18,089	-	18,089	123,689
Deferred Revenue - closing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>\$ 4,222,705</u>	<u>\$ 113,435</u>	<u>\$ 4,336,140</u>	<u>\$ 3,952,854</u>

**SHESHATSHIU INNU FIRST NATION
SCHEDULE OF SALARIES, HONORARIA,
TRAVEL AND OTHER REMUNERATION
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED MARCH 31, 2014**

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REVIEW ENGAGEMENT REPORT

To the Chief and Council of the Sheshatshiu Innu First Nation

We have reviewed the Schedule of Salaries, Honoraria, Travel Expenses and Other Remuneration – Elected and Appointed Officials for the year ended March 31, 2014. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the organization.

A review does not constitute an audit and, consequently, we do not express an audit opinion on this schedule

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Year End Reporting Handbook published by Health Canada and Aboriginal Affairs and Northern Development Canada.

St John's, NL

July 28, 2014


Chartered Accountants