

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

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INDEPENDENT AUDITORS' REPORT

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, 2016 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, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Mount Pearl, Newfoundland and Labrador

July 22, 2016


Chartered Professional Accountants

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

FINANCIAL ASSETS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents (Note 2)	\$ 5,217,692	\$ 2,732,150
Trust funds held by federal government (Note 3)	31,544	30,784
Accounts receivable (Note 4)	1,454,994	111,716
Due from government (Note 5)	987,697	1,549,335
Investment in government business enterprises (Note 7)	<u>8,561,016</u>	<u>9,425,873</u>
	<u>16,252,943</u>	<u>13,849,858</u>

LIABILITIES

Payables and accruals (Note 8)	1,751,204	1,463,882
Due to government (Note 9)	244,882	2,271
Deferred revenue (Note 10)	1,018,102	1,942,524
Due to related parties (Note 11)	469,796	455,901
Long term debt (Note 12)	<u>13,651,825</u>	<u>10,669,386</u>
	<u>17,135,809</u>	<u>14,533,964</u>
Net Financial Debt	<u>(882,856)</u>	<u>(684,106)</u>

NON-FINANCIAL ASSETS

Tangible capital assets (Note 13)	66,097,996	64,525,560
Prepaid expenses	<u>200,452</u>	<u>166,209</u>
	<u>66,298,448</u>	<u>64,691,769</u>
Guarantees (Note 16)		
Contingent liability (Note 21)		
 Accumulated surplus	 <u>\$ 65,415,582</u>	 <u>\$ 64,007,663</u>

ON BEHALF OF THE COUNCIL

 Chief

 Councillor

WINSOR + COOMBS

CHARTERED PROFESSIONAL ACCOUNTANTS

SHESHATSHIU INNU FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGE IN ACCUMULATED
SURPLUS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>Budget 2016</u>	<u>Actual 2016</u>	<u>Actual 2015</u>
Revenue			
Federal government operating transfers (Note 14)	\$ 11,238,840	\$ 11,370,091	\$ 10,786,356
Federal government transfers for capital (Note 14)	-	-	40,800
Sheshatshiu and Mushuau Innu			
First Nations trust	7,324,683	10,116,030	9,818,459
Innu Nation	729,444	2,084,829	114,401
Provincial government operating transfers (Note 14)	1,304,021	1,423,412	1,244,839
Share of income in business enterprises (Note 7)	1,484,250	1,022,745	3,884,613
IOC revenue	-	750,000	-
Infrastructure park	4,306,175	612,000	612,000
Miscellaneous revenues	157,677	538,172	512,071
Rental income	25,300	346,700	433,845
Innu Development Limited Partnership	-	11,711	52,475
Interest	-	10,345	5,666
Insurance claim	-	30	632,311
Total revenue	<u>26,570,390</u>	<u>28,286,065</u>	<u>28,137,836</u>
Expenditure			
Aboriginal head start	266,636	223,666	208,315
Arena operations	230,000	230,640	340,100
Band support	4,030,211	3,755,292	4,613,218
Community youth network	54,250	55,173	61,980
Community justice	196,516	275,170	100,071
Economic development	363,145	351,482	339,645
Education	-	991,639	991,529
Group home	828,800	842,428	836,314
Sewage treatment	534,727	367,338	321,295
Adult care	184,423	184,518	185,567
IRT Health	994,580	1,010,008	843,349
Housing and infrastructure	2,869,684	5,915,453	6,251,721
Innu round table	1,232,500	1,254,487	1,140,979
Outpost program	650,500	653,325	820,023
ASETS	702,229	638,577	774,117
Health	3,720,683	4,206,625	4,227,869
Public works	694,983	715,669	535,036
Recreation	622,334	715,434	515,131
Safe house	404,000	431,035	422,706
Shelter	380,966	381,109	384,517
Community assistance	<u>3,294,177</u>	<u>3,679,078</u>	<u>6,516,207</u>
Total expenditure	<u>22,255,344</u>	<u>26,878,146</u>	<u>30,429,689</u>
Annual Surplus (deficit)	<u>4,315,046</u>	<u>1,407,919</u>	<u>(2,291,853)</u>
Accumulated surplus, beginning of year	<u>64,007,663</u>	<u>64,007,663</u>	<u>66,299,516</u>
Accumulated surplus, end of year	<u>\$ 68,322,709</u>	<u>\$ 65,415,582</u>	<u>\$ 64,007,663</u>

SHESHATSHIU INNU FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2016

	Budget 2016	Actual 2016	Actual 2015
Annual Surplus (deficit)	\$ 4,315,046	\$ 1,407,919	\$ (2,291,853)
Acquisition of tangible capital assets	(4,069,104)	(6,864,881)	(3,621,951)
Amortization of tangible capital assets	-	5,292,445	5,002,353
Acquisition of prepaid expense	-	(200,452)	(166,209)
Use of prepaid expenses	-	<u>166,209</u>	<u>172,721</u>
Change in net financial assets (debt)	245,942	(198,760)	(904,939)
Net assets (debt), beginning of year	<u>(684,106)</u>	<u>(684,106)</u>	<u>220,833</u>
Net debt, end of year	<u>\$ (438,164)</u>	<u>\$ (882,866)</u>	<u>\$ (684,106)</u>

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

Cash from (used for)

	2016	2015
Operating transactions		
Annual deficit	\$ 1,407,919	\$ (2,291,853)
Amortization	5,292,445	5,002,353
Non-cash items (Note 17)	(1,197,237)	2,178,634
Share of income in earnings of business enterprises	<u>(1,022,745)</u>	<u>(3,884,613)</u>
	<u>4,480,382</u>	<u>1,004,521</u>
Capital activity		
Purchases of capital assets	<u>(6,864,881)</u>	<u>(3,621,951)</u>
Financing activities		
Proceeds from long term debt	4,600,000	180,255
Repayment of long term debt	<u>(1,617,561)</u>	<u>(1,593,608)</u>
	<u>2,982,439</u>	<u>(1,413,353)</u>
Investing activities		
Distribution of earnings in business enterprises	<u>1,887,602</u>	<u>3,704,116</u>
Increase (decrease) in cash	2,485,542	(326,667)
Cash, beginning of year (Note 2)	<u>2,732,150</u>	<u>3,058,817</u>
Cash, end of year (Note 2)	<u>\$ 5,217,692</u>	<u>\$ 2,732,150</u>

Interest paid during the year was \$346,377 (2015 - \$285,022).
Interest received during the year was \$10,345 (2015 - \$5,666).

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

1. Significant Accounting Policies

a) Basis of Accounting

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

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, 2016

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, 2016

2. Cash and cash equivalents

	2016	2015
Unrestricted cash	\$ 4,442,327	\$ 2,087,482
Cash restricted for CMHC reserves	<u>775,365</u>	<u>644,668</u>
	<u><u>\$ 5,217,692</u></u>	<u><u>\$ 2,732,150</u></u>

3. Trust funds held by federal government

	2016	2015
Opening balance	\$ 30,784	\$ 76,773
Additions	47,223	44,899
Withdrawals	<u>(46,463)</u>	<u>(90,888)</u>
Closing balance	<u><u>\$ 31,544</u></u>	<u><u>\$ 30,784</u></u>

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

4. Accounts receivable

	2016	2015
Due from members	\$ 33,051	\$ 55,102
Due from non-members	<u>1,454,994</u>	<u>97,924</u>
	<u><u>1,488,045</u></u>	<u><u>153,026</u></u>
Less: allowance for doubtful accounts	<u><u>33,051</u></u>	<u><u>41,310</u></u>
	<u><u>\$ 1,454,994</u></u>	<u><u>\$ 111,716</u></u>

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

5. Due from governments

	2016	2015
Aboriginal Affairs and Northern Development Canada	\$ 26,171	\$ 334,834
Health Canada	-	18,967
Canada Revenue Agency - HST	364,291	786,770
Service Canada	133,337	1,500
Government of Newfoundland and Labrador	<u>463,898</u>	<u>407,264</u>
	 <u>\$ 987,697</u>	 <u>\$ 1,549,335</u>

6. CMHC reserve

	2016	2015
Balance, beginning of year	\$ 775,366	\$ 644,694
Additions to reserve	49,495	145,009
Reserve funds used	-	(14,337)
Balance, end of year	<u>\$ 824,861</u>	<u>\$ 775,366</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 \$775,365 (2015 - \$644,668).

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

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:

	2016	2015
Cash	\$ 662,236	\$ 416,006
Accounts Receivable	961,735	210,216
Due from Related Parties	7,224,972	9,122,539
Prepays	2,748	27,479
Tangible Capital Assets	37,573	47,023
Long Term Investments	9,648,530	9,996,230
Intangible Assets	<u>562,000</u>	<u>562,000</u>
 Total Assets	<u><u>\$ 19,099,794</u></u>	<u><u>\$ 20,381,493</u></u>
 Accounts Payable	\$ 135,700	\$ 30,105
 Equity	<u>18,964,094</u>	<u>20,351,388</u>
 Total Liabilities and Equity	<u><u>\$ 19,099,794</u></u>	<u><u>\$ 20,381,493</u></u>
 Revenue	\$ 5,003,588	\$ 9,240,886
Expenses	<u>2,790,814</u>	<u>2,285,955</u>
 Net Income	<u>\$ 2,212,774</u>	<u>\$ 6,954,931</u>

8. Accounts payable and accrued liabilities

	2016	2015
Trade payables and accrued liabilities	\$ 1,701,848	\$ 1,102,273
Accrued salaries and benefits payable	<u>49,356</u>	<u>361,609</u>
 \$ 1,751,204	<u><u>\$ 1,751,204</u></u>	<u><u>\$ 1,463,882</u></u>

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

9. Due to governments

	<u>2016</u>	<u>2015</u>
Aboriginal Affairs and Northern Development Canada	\$ 172,995	\$ -
Health Canada	- 71,887	2,271 -
Canada Revenue Agency - Employee deductions payable		
	<u>\$ 244,882</u>	<u>\$ 2,271</u>

10. Deferred revenue

	<u>Opening</u>	<u>Used</u>	<u>Current Year</u>	<u>2016</u>	<u>2015</u>
AANDC	\$ 241,422	\$ (241,422)	\$ -	\$ -	\$ 241,422
Govt of NL	14,100	(14,100)	10,680	10,680	14,100
Unearned Rent	216,667	(100,000)	- 116,667	116,667	216,667
Public Health	45,810	(45,810)	- -	- 45,810	45,810
Service Canada	23,334	(23,334)	12,045	12,045	23,334
Trust	<u>1,401,191</u>	<u>(1,401,191)</u>	<u>878,710</u>	<u>878,710</u>	<u>1,401,191</u>
	<u>\$ 1,942,524</u>	<u>\$(1,825,857)</u>	<u>\$ 901,435</u>	<u>\$ 1,018,102</u>	<u>\$ 1,942,524</u>

11. Due to related parties

	<u>2016</u>	<u>2015</u>
Due to Innu Development Limited Partnership	\$ 464,477	\$ 464,477
Due to Innu Mikun Limited Partnership	5,319	46,840
Due from Sheshatshiu Innu Tourism Inc.	(225,806)	(55,416)
Allowance for related party doubtful account	<u>225,806</u>	<u>-</u>
	<u>\$ 469,796</u>	<u>\$ 455,901</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, 2016

11. Due to related parties (continued)

The Sheshatshiu Innu First Nation holds 100% of the shares in Sheshatshiu Innu Tourism Inc.

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

Expenses include \$152,445 (2015 - \$282,667) 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

	2016	2015
a) Royal Bank demand loan bearing interest at 4.30%, repayable in monthly blended payments of \$46,384 due November 2015. Loan repaid during year.	\$ -	\$ 365,121
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.	1,857,415	2,157,415
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.	559,866	839,866
d) Royal Bank term loan bearing interest at 3.73%, repayable in monthly blended payments of \$50,211 due June 4, 2020.	4,272,894	-
e) CMHC 1.08% mortgage, maturing August 1, 2025 renewable August 1, 2020, payable in monthly principal and interest installments of \$1,065.	114,491	125,753
f) CMHC 1.82% mortgage, maturing September 1, 2026 renewable December 1, 2016, payable in monthly principal and interest installments of \$1,425.	163,638	177,654
g) CMHC 1.53% mortgage, maturing October 1, 2027 renewable December 1, 2017, payable in monthly principal and interest installments of \$980.	<u>124,948</u>	<u>134,732</u>
Sub total	<u>\$ 7,093,252</u>	<u>\$ 3,800,541</u>

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

12. Long term debt (continued)

	<u>2016</u>	<u>2015</u>
Sub total	\$ 7,093,252	\$ 3,800,541
h) CMHC 1.92% mortgage, maturing May 1, 2029 renewable April 1, 2019, payable in monthly principal and interest installments of \$1,038.	145,206	154,807
i) CMHC 2.26% mortgage, maturing July 1, 2031 renewable August 1, 2016, payable in monthly principal and interest installments of \$1,097.	170,831	180,050
j) CMHC 0.94% mortgage, maturing September 1, 2035 renewable September 1, 2020, payable in monthly principal and interest installments of \$961.	205,617	214,742
k) CMHC 0.94% mortgage, maturing September 1, 2035 renewable September 1, 2020, payable in monthly principal and interest installments of \$2,096.	448,435	468,335
l) CMHC 1.82% mortgage, maturing September 1, 2034 renewable September 1, 2015, payable in monthly principal and interest installments of \$1,685.	318,113	332,445
m) CMHC 1.82% mortgage, maturing September 1, 2034 renewable September 1, 2019, payable in monthly principal and interest installments of \$2,903.	548,041	572,731
n) CMHC 1.85% mortgage, maturing June 1, 2034 renewable August 1, 2019, payable in monthly principal and interest installments of \$1,887.	351,336	367,370
o) CMHC 1.65% mortgage, maturing June 1, 2037 renewable June 1, 2017, payable in monthly principal and interest installments of \$1,110.	239,119	248,439
p) CMHC 1.71% mortgage, maturing July 1, 2032 renewable September 1, 2017, payable in monthly principal and interest installments of \$3,522.	602,989	634,719
q) CMHC 1.71% mortgage, maturing July 1, 2032 renewable September 1, 2017, payable in monthly principal and interest installments of \$2,654.	454,456	478,370
r) CMHC 1.71% mortgage, maturing July 1, 2032 renewable September 1, 2017, payable in monthly principal and interest installments of \$5,884.	<u>1,007,475</u>	<u>1,060,490</u>
Sub total	<u>\$ 11,584,870</u>	<u>\$ 8,513,039</u>

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

12. Long term debt (continued)

	2016	2015
Sub total	\$ 11,584,870	\$ 8,513,039
s) CMHC 2.26% mortgage, maturing July 1, 2031 renewable August 1, 2016, payable in monthly principal and interest installments of \$2,308.	359,599	379,005
t) CMHC 2.26% mortgage, maturing July 1, 2031 renewable August 1, 2016, payable in monthly principal and interest installments of \$1,846.	287,654	303,177
u) CMHC 2.37% mortgage, maturing July 1, 2036 renewable June 1, 2016, payable in monthly principal and interest installments of \$1,060.	205,556	213,339
v) CMHC 1.11% mortgage, maturing March 1, 2036 renewable April 1, 2021, payable in monthly principal and interest installments of \$1,337.	288,235	298,642
w) CMHC 1.92% mortgage, maturing April 1, 2037 renewable April 1, 2017, payable in monthly principal and interest installments of \$946.	197,192	204,710
x) CMHC 1.85% mortgage, maturing June 1, 2034 renewable August 1, 2019, payable in monthly principal and interest installments of \$1,272.	236,699	247,501
y) CMHC 1.65% mortgage, maturing June 1, 2037 renewable June 1, 2017, payable in monthly principal and interest installments of \$732.	157,664	163,809
z) CMHC 1.65% mortgage, maturing June 1, 2037 renewable June 1, 2017, payable in monthly principal and interest installments of \$370.	79,708	82,815
aa) CMHC 2.02% mortgage, maturing August 1, 2038 renewable August 1, 2018, payable in monthly principal and interest installments of \$383.	83,015	85,914
bb) CMHC 1.85% mortgage, maturing August 1, 2039 renewable August 1, 2019, payable in monthly principal and interest installments of \$751.	<u>171,633</u>	<u>177,435</u>
	<u><u>\$ 13,651,825</u></u>	<u><u>\$ 10,669,386</u></u>

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

12. Long term debt (continued)

Security and conditions:

The 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:

2017 - \$1,373,000
2018 - \$1,396,000
2019 - \$1,139,000
2020 - \$1,163,000
2021 - \$1,188,000

SHESHATSHU INNU FIRST NATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 March 31, 2016

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13. Tangible capital assets

	Cost			Accumulated Amortization			Net Book Value	
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Amortization	Disposals	Closing Balance
Tangible Capital Assets								
Roads	807,729	993,471	-	1,801,200	556,637	130,446	-	687,083
Residential buildings	40,051,441	1,038,292	-	41,099,733	15,509,590	2,054,205	-	17,560,795
Community buildings	33,162,722	2,539,925	-	35,702,647	11,813,172	1,713,059	-	13,526,231
Water and sewer system	25,509,194	437,678	-	25,946,872	7,796,095	1,147,485	-	8,943,580
Recreation	22,975	111,542	-	134,517	22,975	5,577	-	28,552
Equipment	22,410	47,233	-	69,643	8,692	15,235	-	23,927
Vehicles	1,195,239	22,244	-	1,217,483	584,799	229,439	-	814,238
								403,245
								610,440
Assets Under Construction								
Residential buildings	100,781,710	5,190,385	-	105,972,095	36,291,960	5,292,446	-	41,584,406
Community buildings								64,387,689
Total	100,817,520	6,854,882	-	107,682,402	36,291,960	5,292,446	-	41,584,406
								66,097,996
								64,525,560

SHESHATSHIU INNU FIRST NATION
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14. Government transfers

	2016		
	Operating	Capital	Total
Aboriginal Affairs and Northern Development Canada	\$ 5,455,226	\$ -	\$ 5,455,226
Health Canada	4,585,111	-	4,585,111
Service Canada	595,934	-	595,934
Public Health Agency	216,491	-	216,491
Department of Justice	66,417	-	66,417
CMHC	<u>450,912</u>	<u>-</u>	<u>450,912</u>
	<u>11,370,091</u>	<u>-</u>	<u>11,370,091</u>
Government of Newfoundland and Labrador	483,012	-	483,012
Labrador Grenfell Health	<u>940,400</u>	<u>-</u>	<u>940,400</u>
	<u>1,423,412</u>	<u>-</u>	<u>1,423,412</u>
	<u>\$ 12,793,503</u>	<u>\$ -</u>	<u>\$ 12,793,503</u>
	2015		
	Operating	Capital	Total
Aboriginal Affairs and Northern Development Canada	\$ 4,975,920	\$ -	\$ 4,975,920
Health Canada	4,224,849	40,800	4,265,649
Service Canada	752,538	-	752,538
Public Health Agency	197,606	-	197,606
CMHC	<u>635,443</u>	<u>-</u>	<u>635,443</u>
Total	<u>10,786,356</u>	<u>40,800</u>	<u>10,827,156</u>
Government of Newfoundland and Labrador	308,399	-	308,399
Labrador Grenfell Health	<u>936,440</u>	<u>-</u>	<u>936,440</u>
	<u>1,244,839</u>	<u>-</u>	<u>1,244,839</u>
	<u>\$ 12,031,195</u>	<u>\$ 40,800</u>	<u>\$ 12,071,995</u>

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

15. Expenses by Object

	2016	2015
Wages and benefits	\$ 9,076,667	\$ 9,095,444
Amortization	5,292,445	5,002,353
Travel	2,774,617	2,916,000
Professional Fees	1,348,214	1,224,164
Repairs and Maintenance	1,379,126	1,882,243
Supplies	461,011	652,868
Insurance	459,401	333,524
Community payouts	895,000	3,489,500
Telephone	225,282	188,166
Other	4,620,005	5,360,405
Interest	<u>346,378</u>	<u>285,022</u>
	<u><u>\$ 26,878,146</u></u>	<u><u>\$ 30,429,689</u></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, 2016, these loans have unforgiven balances of \$41,248.

Canada Mortgage and Housing Corporation has provided a forgivable loan for the safe house. 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 property as a safe house. The unforgiven balance as of March 31, 2016 is \$147,777.

17. Non-cash items

	2016	2015
Trust funds held by federal government	\$ (760)	\$ 45,989
Accounts receivable	(1,343,278)	1,086
Due from government	561,638	1,820,120
Prepaid expenses	(34,243)	6,505
Payables and accruals	287,322	(951,410)
Due to government	242,611	(77,368)
Deferred revenue	(924,422)	1,358,791
Due to (from) related party	<u>13,895</u>	<u>(25,079)</u>
	<u><u>\$ (1,197,237)</u></u>	<u><u>\$ 2,178,634</u></u>

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

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 DCPP 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 \$258,791 to the DCPP during the fiscal period ending March 31, 2016.

Sheshatshiu Innu First Nation does not have any other obligation with regards to the DCPP as at March 31, 2016.

21. Contingent Liability

In past years, the First Nation has built houses and provided them to community members. The utility bills for some of these houses remain in the name of the First Nation. No payments have been made on these accounts and as of March 31, 2016 the total balance of these accounts is \$188,434.

The First Nation does not intend to pay these bills and Newfoundland Hydro has not taken action to collect these accounts. No provision for this matter has been made in these financial statements.

**Sheshatshui Innu First Nation
Notes to the Financial Statements
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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:

	Budget 2016	Education Actual 2016	Budget 2016	Health Actual 2016	Actual 2015	Budget 2016	Economic Development Actual 2016	Actual 2015
Revenue								
Federal government	\$ 949,472	\$ 868,425	\$ 950,144	\$ 4,723,724	\$ 4,769,534	\$ 4,478,899	\$ 164,145	\$ 174,583
Provincial government	145	-	-	87,943	152,433	140,286	75,000	85,564
Other revenue	-	13,570	5,487	199,124	132,194	575,390	54,000	120,000
Share of income in business enterprises	-	-	-	-	-	-	-	433,446
Total Revenue	<u>949,617</u>	<u>881,995</u>	<u>955,631</u>	<u>5,010,791</u>	<u>5,054,161</u>	<u>5,194,575</u>	<u>293,145</u>	<u>369,709</u>
Expenditures								
Wages and benefits	559,400	553,090	553,347	2,865,413	2,723,481	2,759,726	322,580	321,663
Amortization		991,539	991,529		432,948	432,948	-	254,641
Interest expense		-	-	-	-	-	-	-
Other expense	369,465	309,263	429,085	2,034,273	2,244,722	2,064,110	40,565	29,820
Total Expenses	<u>928,865</u>	<u>1,853,882</u>	<u>1,973,961</u>	<u>4,899,686</u>	<u>5,401,151</u>	<u>5,256,784</u>	<u>363,145</u>	<u>351,483</u>
Annual Surplus (deficit)	<u>\$ 20,752</u>	<u>\$ (971,387)</u>	<u>\$ (1,018,330)</u>	<u>\$ 111,105</u>	<u>\$ (346,990)</u>	<u>\$ (62,209)</u>	<u>\$ (70,000)</u>	<u>\$ 18,226</u>
								339,644

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CHARTERED PROFESSIONAL ACCOUNTANTS

Sheshatshui Innu First Nation
 Notes to the Financial Statements
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22. Segment disclosure (continued)

	Budget 2015	Capital Actual 2016	Actual 2015	Budget 2015	Community Services Actual 2016	Actual 2015	Budget 2015	Governance Actual 2016	Actual 2015
Revenue									
Federal government	\$ 2,239,912	\$ 2,339,983	\$ 1,992,290	\$ 695,582	\$ 695,582	\$ 814,737	\$ 2,466,005	\$ 2,532,422	\$ 2,416,503
Provincial government	-	-	-	828,000	955,400	951,440	312,933	230,015	153,113
Other revenue	8,161,599	7,875,045	5,800,294	3,114,818	5,406,987	4,282,494	1,013,738	922,021	1,084,117
Share of income in business enterprises	50,000	50,000	220,000	1,234,250	772,745	247,352	200,000	200,000	3,417,261
Total Revenue	10,451,511	10,265,028	8,012,584	5,872,650	7,830,714	6,296,023	3,992,676	3,884,458	7,070,994
Expenditures									
Wages and benefits	549,683	513,765	518,256	2,148,523	2,224,071	2,091,200	2,729,324	2,740,597	2,918,273
Amortization		3,599,336	3,387,439		108,949	29,870		159,673	160,567
Interest expense	481,188	346,377	285,022		-	-		-	-
Other expense	1,838,813	1,455,975	2,061,004	5,586,215	5,738,210	8,567,328	2,729,903	2,384,677	2,840,341
Total Expenses	2,869,684	5,915,453	6,251,721	7,734,738	8,071,230	10,688,398	5,459,227	5,284,946	5,919,181
Annual Surplus (deficit)	\$ 7,581,828	\$ 4,349,575	\$ 1,760,863	\$ (1,862,088)	\$ (240,516)	\$ (4,392,375)	\$ (1,466,551)	\$ (1,400,488)	\$ 1,151,813

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CHARTERED PROFESSIONAL ACCOUNTANTS

**Sheshatshui Innu First Nation
Notes to the Financial Statements
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22. Segment disclosure (continued)

	Budget 2015	Total Actual 2016	Total Actual 2015
Revenue			
Federal government	\$ 11,238,840	\$ 11,370,091	\$ 10,827,156
Provincial government	1,304,021	1,423,412	1,244,839
Other revenue	12,543,279	14,469,817	12,181,228
Share of income in business enterprises	1,484,250	1,022,745	3,884,613
Total Revenue	26,570,390	28,286,065	28,137,836
 Expenditures			
Wages and benefits	9,174,922	9,076,667	9,095,443
Amortization	-	5,292,445	5,002,353
Interest expense	481,188	346,377	285,022
Other expense	12,599,234	12,162,656	16,046,871
Total Expenses	22,255,344	26,878,146	30,429,689
 Annual Surplus (deficit)	\$ 4,315,046	\$ 1,407,919	\$ (2,291,853)

SHESHATSHIU INNU FIRST NATION
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MARCH 31, 2016

23. Health Canada Funding

	<u>Set Funding</u>	<u>Capital Funding</u>	<u>2016 Total</u>	<u>2015 Total</u>
Deferred Revenue - opening	\$ -	\$ 45,810	\$ 45,810	\$ -
Funding	\$ 4,539,301	\$ -	\$ 4,539,301	\$ 4,324,809
Funding repaid	-	-	-	(13,350)
Deferred Revenue - closing	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,810)</u>
Total Revenue	<u>\$ 4,539,301</u>	<u>\$ 45,810</u>	<u>\$ 4,585,111</u>	<u>\$ 4,265,649</u>