Consolidated financial statements of

Miawpukek Band

March 31, 2016

Deloitte.

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Independent Auditor's Report

To the Members of the
Miawpukek Band

We have audited the accompanying consolidated financial statements of Miawpukek Band, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations, accumulated surplus, accumulated surplus – appropriated, change in net debt 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Miawpukek Band as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which states that the Band reports certain financial information that is not required by Canadian public sector accounting standards. This information is presented in order to satisfy Indigenous and Northern Affairs and is presented on page 25.

Deloitte LLP

Chartered Professional Accountants
July 21, 2016

Miawpukek Band

Consolidated statement of financial position
as at March 31, 2016

	2016	2015
	$	$
Financial assets		
Cash	3,167,462	2,343,518
Receivables (Note 3)	501,352	1,053,000
Investments	6,185,411	963,984
Inventories (Note 5)	941,499	661,271
Restricted funds (Note 6)	1,136,979	1,033,875
Loans and advances to band members (Note 7)	900,322	780,617
Trust fund - INAC	2,626	2,599
	12,835,651	6,838,864
Liabilities		
Payables and accruals (Note 8)	2,008,454	1,437,208
Deferred revenue (Note 9)	500	5,000
Demand loans (Note 10)	4,351,855	2,013,569
CMHC replacement reserve (Note 11)	582,718	535,920
Long-term debt (Note 12)	2,843,278	3,093,190
	9,786,805	7,084,887
Net financial assets (debt)	3,048,846	(246,023)
Non-financial assets		
Tangible capital assets (Note 14)	35,496,823	33,263,852
Fishing licenses	7,037,825	7,037,825
Prepaid expenses	22,923	16,504
	42,557,571	40,318,181
Unappropriated (Page 8)	38,672,264	37,302,098
Appropriated (Page 8)	6,934,153	2,770,060
Accumulated surplus	45,606,417	40,072,158

Contingencies (Note 17)

On behalf of the Band:

~~Chief~~ Vice chief

Councillor

Miawpukek Band

Consolidated statement of operations
year ended March 31, 2016

	Budget	2016	2015
	$	$	$
	(Unaudited)		
Revenue (Note 15)			
Federal government operating transfers	14,687,874	22,089,548	16,878,065
Federal government capital transfers	581,863	939,388	1,577,577
Provincial government operating transfers	-	173,007	369,211
Economic activities	6,557,631	7,262,535	7,687,509
Other revenue	3,301,287	3,059,144	2,337,046
	25,128,655	33,523,622	28,849,408
Expenses			
Amortization	-	1,975,508	1,862,357
Band government	2,490,229	3,303,117	2,515,989
Community services	1,471,356	3,012,094	2,911,463
Economic development	7,229,040	6,963,717	7,113,244
Education	3,016,229	3,140,626	2,563,338
Employment programs	1,744,402	942,880	888,793
Health	4,514,703	4,701,711	4,723,321
Housing	1,802,209	977,338	1,088,276
Land claims (Natural Resource)	908,295	908,182	928,758
MAMKA	359,834	377,599	665,419
Public works	2,261,335	1,686,591	1,631,454
	25,797,632	27,989,363	26,892,412
Excess of revenue over expenditures before appropriations	(668,977)	5,534,259	1,956,996
Transfers from appropriated equity during the year	-	500,851	162,912
Transfers to appropriated equity during the year	-	(4,664,944)	(467,909)
Excess of revenue over expenditures after equity transfers	(668,977)	1,370,166	1,651,999

Miawpukek Band

Consolidated statement of change in net assets
year ended March 31, 2016

	2016	2015
	$	$
Excess of revenue over expenditures	**5,534,259**	1,956,996
Changes in tangible capital assets		
Acquisition of tangible capital assets	**(4,208,479)**	(3,662,765)
Proceeds from disposal of tangible capital assets	**-**	307,053
Gain on disposal of tangible capital assets	**-**	(236,948)
Amortization of tangible capital assets	**1,975,508**	1,862,357
Decrease in tangible capital assets	**3,301,288**	226,693
Change in other non-financial assets		
Acquisition of fishing licenses	**-**	(1,110,000)
Net change in prepaid expenses	**(6,419)**	302
Change in other non-financial assets	**(6,419)**	(1,109,698)
Increase (decrease) in net finanical assets	**3,294,869**	(883,005)
Net financial (debt) assets, beginning of year	**(246,023)**	636,982
Net financial assets (debt), end of year	**3,048,846**	(246,023)

Miawpukek Band

Consolidated statement of cash flows
year ended March 31, 2016

	2016	2015
	$	$
Operating transactions		
Excess of revenue over expenditures before appropriations	5,534,259	1,956,996
Items not affecting cash		
Amortization of tangible capital assets	1,975,508	1,862,357
Gain on disposal of tangible capital assets	-	(236,948)
	7,509,767	3,582,405
Change in other		
Receivables	551,648	79,276
Inventories	(280,228)	(11,226)
Prepaid expenses	(6,419)	302
Payables and accruals	571,246	362,953
Deferred revenue	(4,500)	(370,653)
	8,341,514	3,643,057
Capital transactions		
Acquisition of tangible capital assets	(4,208,479)	(3,662,765)
Acquisition of fishing licenses	-	(1,110,000)
Proceeds from disposal of tangible capital assets	-	307,053
	(4,208,479)	(4,465,712)
Financing transactions		
Proceeds from demand loans	2,338,286	795,936
Repayment of long-term debt	(249,912)	(253,525)
Proceeds from long-term debt	-	66,578
	2,088,374	608,989
Investing transactions		
Purchase of investments	(5,221,427)	(212,000)
Increase in CMHC replacement reserve	46,798	47,336
Increase in Trust fund - INAC	(27)	(98)
(Increase) decrease in advances to band members	(119,705)	60,669
Increase in restricted funds	(103,104)	(103,506)
	(5,397,465)	(207,599)
Net increase (decrease) in cash	823,944	(421,265)
Cash, beginning of the year	2,343,518	2,764,783
Cash, end of the year	3,167,462	2,343,518

1. Basis of presentation and significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Professional Accountants ("CPA") and reflect the following significant accounting policies:

The schedule in these financial statements is not required by PSAS but is presented in order to satisfy Indigenous and Northern Affairs Canada ("INAC"). This schedule can be found on page 25 of the financial statements.

Reporting entity and principles of financial reporting

The Miawpukek Band (the "Band") reporting entity includes the Miawpukek Band government and all related entities which are either owned or controlled by the Miawpukek Band.

These financial statements consolidate the **assets**, liabilities and results of operations for the following reporting entities.

- Miawpukek Band
- Taqamkuk Development Corporation
- Netukulimk Fisheries Ltd.
- Harbour Authority

All inter-entity balances have been eliminated on consolidation, except in order to present the results of operations for each specific program, in which case transactions amongst funds have not necessarily been eliminated on the individual schedules.

Tangible capital assets

Tangible capital assets are recorded at cost. Amortization of tangible capital assets is calculated on a declining balance basis at rates which will reduce cost to estimated residual value over the useful lives of the assets.

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Inventory

Inventory consists of finished goods and is recorded at the lower of cost and net realizable value. Cost is determined on a weighted average basis. Net realizable value is the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale.

Fishing licenses

Fishing licenses represent intangible assets acquired and which are recorded at their fair value at the date of acquisition. Licenses have indefinite lives, are not amortized and are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the licenses with their fair value. When an impairment loss exists, it is recognized and disclosed in the statement of operations.

1. Basis of presentation and significant accounting policies (continued)

Revenue recognition

Revenue is recognized as it becomes receivable under the terms of the applicable funding agreement. Funding received under the funding arrangements which relates to a subsequent fiscal period is reflected as appropriated equity in the year of receipt and classified as such on the statement of financial position.

Government grants and transfers are recognized in the period in which events give rise to the transfer occurring, provided the transfers are authorized, any eligibility criteria has been met, including performance and return requirements, and reasonable estimates of the amount can be determined.

Other revenues are recognized as earned provided collection is reasonably assured.

Revenues from the sale of goods and services are recognized as earned where the price is fixed or determinable and when collection is reasonably assured.

Revenue received for a future period is deferred until that period and is recorded as deferred revenue.

Investments

Investments are comprised of guaranteed investment certificates and are recorded at cost, which approximates fair value.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Key components of the financial statements requiring management to make estimates include the cost and net realizable value of inventories, the useful lives of long-lived assets, accrued liabilities and collectability of accounts receivable. Actual results could differ materially from those estimates.

2. Economic dependence

The Miawpukek Band receives a major portion of its revenues pursuant to funding arrangements with Indigenous and Northern Affairs Canada ("INAC").

As explained in Note 17, under the terms of the agreement, funding from the arrangement with Indigenous and Northern Affairs Canada can be suspended if the terms of the funding agreement are not complied with by the Miawpukek Band.

3. Receivables

	2016	2015
	$	$
ACOA	14,383	146,446
CMHC	40,939	14,914
Coast of Bays Contracting	302	33
Conne River Forest Products	-	2,128
Department of Fisheries and Oceans	108,000	90,301
Department of Innovation, Business and Rural Development	-	62,500
Federation of Newfoundland Indians	64,440	106,761
INAC (Note 4)	73,408	226,073
Gray's Aquaculture	5,981	8,350
HST receivable	65,183	57,717
John Equipment	1,908	1,908
John N. Jeddore environmental cleanup	313,806	349,806
Justice Canada	72,644	72,350
Mi'kmaq Diving Services	88,629	88,629
Miscellaneous	114,472	552,818
NSF cheques	1,289	1,974
Sit Down Pond Camp Inc.	10,891	10,891
	976,275	1,793,599
Less: Allowance for doubtful accounts	(474,923)	(740,599)
	501,352	1,053,000

4. Reconciliation of INAC receivable

	2016	2015
	$	$
Balance as confirmed by INAC March 31	140,134	178,420
Adjustments:		
Funds received subsequent to year end	5,878	98,867
Unspent funds - inherent right (Note 15)	(22,604)	(51,214)
Unspent funds - child and family foster homes (Note 15)	(50,000)	-
Ending balance	73,408	226,073

Subsequent to year end, on April 1, the Band received $5,878 (2015 - $98,867) in funding from INAC relating to the 2016 fiscal year, therefore this balance is included in receivables at March 31, 2016.

5. Inventories

	2016	2015
	$	$
Conne River Buildings Supplies	**587,744**	506,945
Conne River Garage	**4,357**	11,395
Conne River Gas Bar	**241,703**	42,449
Marina	**4,543**	5,836
Miawpukek Wholesalers	**44,287**	48,969
Micmac Arts and Crafts	**58,865**	45,677
	941,499	661,271

6. Restricted funds

Restricted funds represent segregated cash balances that have been externally restricted by third parties for future purposes. The restricted fund balance has been segregated to meet obligations with the Canada Mortgage and Housing Corporation ("CMHC"), further disclosed in Note 11, as well as obligations as a result of guaranteeing certain Band member loans as disclosed in Note 17(c).

7. Loans and advances to band members

Advances to Band Members represent advances which are loaned based on assessments performed on a case by case basis, as well as long-term housing loans guaranteed to Band Members. The advances are repaid through payroll deductions when the Band members are employed under the Band's programs and operations. Long-term housing loans are paid based on terms agreed upon by the parties.

	2016	2015
	$	$
Loans and advances to Band members	**1,257,770**	1,046,293
Less: Allowance for doubtful accounts	**(357,448)**	(265,676)
	900,322	780,617

8. Payables and accruals

	2016	2015
	$	$
Accrued salaries and benefits payable	**97,437**	90,567
Other accrued liabilities	**847,309**	530,480
Severance payable	**43,000**	23,000
Trade payables	**1,020,708**	793,161
	2,008,454	1,437,208

Included in other accrued liabilities is an amount payable to INAC of $14,908 (2015 - $32,550) relating to unspent funds in the Band's child and family foster homes program. Refer to Note 15 for further details.

9. Deferred revenue

	Balance March 31, 2015	Funding Received 2016	Revenue Recognized 2016	**Balance March 31, 2016**
	$	$	$	**$**
Other	5,000	500	5,000	**500**

10. Demand loans

The Band has demand loans with Canadian Imperial Bank of Commerce at bank prime rates of interest, which are secured by properties situated in Conne River, Newfoundland and Labrador, a general security agreement and borrowing resolutions from the Band.

11. CMHC replacement reserve

Under the terms of the agreement with CMHC, the replacement reserve account is to be credited in the amount of $300 to $1,000 per unit annually. These funds, along with accumulated interest, must be held in a separate bank account or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC. Withdrawals are credited to interest first and then to principal. The funds in the account may only be used as approved by the CMHC. At year end, the funds in the reserve consisted of cash of $582,718 ($489,855 post-1997 program, $83,700 pre-1996 program, $9,163 reserve overfunded) (2015 - $535,920).

12. Long-term debt

	2016	2015
	$	$
Canada Mortgage and Housing Corporation		
1.81% mortgage repayable in monthly instalments of $828 including interest, maturing March 1, 2024	**74,063**	83,098
1.67% mortgage repayable in monthly instalments of $2,180 including interest, maturing February 1, 2017	**23,784**	51,631
3.9% mortgage, repayable in monthly instalments of $1,900 including interest, maturing January 1, 2023	**132,530**	152,509
1.81% mortgage, repayable in monthly instalments of $1,947 including interest, maturing March 1, 2024	**174,134**	194,044
4.31% mortgage, repayable in monthly instalments of $1,724 including interest, maturing April 1, 2022	**105,479**	123,295
2.57% mortgage, repayable in monthly instalments of $1,032 including interest, maturing October 1, 2024	**94,921**	105,548

12. Long-term debt (continued)

	2016	2015
	$	$
Canada Mortgage and Housing Corporation		
2.84% mortgage, repayable in monthly instalments of $1,050 including interest, maturing January 1, 2025	**100,001**	108,688
2.76% mortgage, repayable in monthly instalments of $709 including interest, maturing May 1, 2030	**99,339**	105,757
3.47% mortgage, repayable in monthly instalments of $415 including interest, maturing April 1, 2033	**62,904**	66,293
3.9% mortgage, repayable in monthly instalments of $3,957 including interest, maturing March 1, 2033	**573,501**	602,561
3.16% mortgage, repayable in monthly instalments of $1,055 including interest, maturing April 1, 2028	**124,899**	134,580
1.81% mortgage, repayable in monthly instalments of $588 including interest, maturing May 1, 2029	**82,812**	88,540
1.67% mortgage, repayable in monthly instalments of $948 including interest, maturing March 1, 2026	**97,657**	108,569
4.55% mortgage, repayable in monthly instalments of $763 including interest, maturing May 1, 2027	**76,598**	83,001
2.65% mortgage, repayable in monthly instalments of $344 including interest, maturing February 1, 2020	**15,558**	19,326
2.26% mortgage, repayable in monthly instalments of $695 including interest, maturing July 1, 2031	**108,044**	114,397
4.45% mortgage, repayable in monthly instalments of $1,674 including interest, maturing May 1, 2032	**222,330**	235,210
2.86% mortgage, repayable in monthly instalments of $932 including interest, maturing July 1, 2034	**158,585**	165,622

12. Long-term debt (continued)

	2016	2015
	$	$
Canada Mortgage and Housing Corporation		
Non-interest bearing loan, forgiveable at a rate of one-fifteenth of the original principal amount for each year that the Band continues to own and use the funded asset in accordance with the agreement between parties	**42,011**	47,318
2.69% mortgage, repayable in monthly instalments of $1,242 including interest, maturing August 1, 2035	**224,614**	234,371
1.68% mortgage, repayable in monthly instalments of $371 including interest, maturing April 1, 2038	**82,196**	85,314
1.68% mortgage, repayable in monthly instalments of $371 including interest, maturing April 1, 2038	**83,569**	86,455
1.82% mortgage, repayable in monthly instalments of $365 including interest, maturing September 1, 2039	**83,749**	86,578
Ally Credit Canada Limited		
6.84% vehicle loan, repaid during the year	**-**	5,186
6.84% vehicle loan, repaid during the year	**-**	5,299
	2,843,278	3,093,190

CMHC mortgages are secured by properties in Conne River, Newfoundland and Labrador.

Annual principal repayments in each of the next five years are as follows:

	$
2017	387,003
2018	198,607
2019	204,379
2020	209,652
2021	205,888
Thereafter	1,637,749

13. Credit facility

The Band has an available credit facility in the amount of $100,000 (2015 - $100,000), of which $100,000 remained unused at March 31, 2016 (2015 - $13,123). The facility bears interest at a rate of prime plus 3% and is secured by a guarantee of the Miawpukek Band.

14. Tangible capital assets

		2016			2015	
	Amortization Rate	Cost	Accumulated Amortization	Net Book Value	Cost	Net Book Value
	%	$	$	$	$	$
Buildings	4	34,365,357	14,146,442	20,218,915	33,394,754	19,944,366
Equipment	20	10,079,599	8,003,778	2,075,821	9,760,596	2,286,244
Motor vehicles	30	2,207,010	2,098,443	108,567	2,284,183	112,245
Roads	2.5	5,718,710	1,935,202	3,783,508	5,524,002	3,687,622
Sports facilities	4	176,895	96,985	79,910	176,895	83,240
Subdivision	2.5	1,285,569	222,055	1,063,514	897,698	702,514
Vessel	15	3,822,330	2,463,134	1,359,196	3,279,506	1,056,230
Water and sewer	2.5	8,757,715	2,987,068	5,770,647	8,140,995	5,302,061
Work-in-progress		1,036,745	-	1,036,745	89,330	89,330
		67,449,930	31,953,107	35,496,823	63,547,959	33,263,852

There is no amortization taken on work-in-progress assets until the asset is available for use.

15. Revenue – Federal Government operating transfers

	2016	2015
	$	$
Indigenous and Northern Affairs Canada		
Grant	10,633,304	10,424,808
Block	713,550	682,228
Set	1,431,988	1,503,515
Flexible	901,741	381,675
Fixed	5,292,600	57,400
	18,973,183	13,049,626
Adjustments (set)	(87,512)	(83,764)
Net funding for fiscal year	18,885,671	12,965,862
Health Canada		
Block	1,466,205	1,421,848
Set	875,186	904,222
Flexible	253,047	444,596
	2,594,438	2,770,666
Adjustments	27,244	(203,789)
Net funding for fiscal year	2,621,682	2,566,877
CMHC	168,493	65,795
Other	11,847,776	12,963,321
	33,523,622	28,849,408

15. Revenue – Federal Government operating transfers (continued)

During the year, the Band had surpluses in their inherent right program of $22,604 (2015 - $51,204) and the child and family foster homes program of $64,908 (2015 - $32,550). These programs are under the set funding agreement, and as such, any unspent funds are repayable to INAC. Therefore, there has been a reduction to revenue of $87,512, a reduction to accounts receivable of $72,604, and an increase to accrued liabilities of $14,908. Refer to Notes 4 and 8 for further details.

During the year, the Band received $7,000 related to a clawback in 2011-2012 fiscal year and $7,619 related to a clawback in 2012-2013 fiscal year which are included in the Heath Canada confirmation. In addition, a receivable was set up for the deficit in Non-insured health benefits for $41,863, resulting in a net adjustment of $27,244.

16. Federal assistance payments

The CMHC projects have received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act to reduce mortgage interest expense to 2% to enable the Band to provide housing to low income individuals. The amount of assistance received through March 31, 2016 was $132,116 ($109,565 post-1997 program, $22,551 pre-1996 program) (2015 - $134,146).

17. Contingencies

a) The Band has entered into a funding arrangement with Indigenous and Northern Affairs Canada for ten years effective April 1, 2013. The Band has entered into a five-year funding arrangement with Health Canada, effective April 1, 2014. These funds may be repayable if minimum program requirements are not met.

b) The Band has entered into contribution agreements with various government departments. Funding received under these contribution agreements are subject to repayment if the Band fails to comply with the terms and conditions of the agreements.

c) The Band has provided guarantees for Band members for loans totaling $14,546 (2015 - $17,363) which are secured by restricted funds in this amount.

d) The Band has provided ministerial guarantees on mortgages of $1,531,708 (2015 - $1,514,709) for Band members which are secured by the specific property mortgaged. These mortgages are not recorded as liabilities of the Band.

e) The Band has provided letters of credit for $440,000 (2015 - $440,000).

f) The Band supports the recognition of the employees' years of service to the Band. A general provision for severance pay has not been recognized in the consolidated financial statements as the employees must apply to the Band for this compensation and it is subject to budgetary concerns of the Band.

18. Defined contribution pension plan

The Band has established a defined contribution pension plan registered in the name of the Miawpukek First Nation. The assets of the plan are held separately from those of the Band in an independently administered fund. Contributions paid by the Band for the year ended March 31, 2016 amounted to $225,561 (2015 - $251,965).

19. Statutory remittances

As at March 31, 2016, the Band has submitted all required remittances under the Income Tax Act.

20. Segment disclosures

The Band provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by department. Schedule 1 presents each segment reported, the segment revenue and expenses that are directly attributable to the segment and amounts that are allocated on a reasonable basis.