

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.
INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS - MARCH 31, 2013 AND 2012

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

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March 31, 2013

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To the Board of Trustees of **Mamu Tshishkutamashutau / Innu Education Inc.**

Report on the Financial Statements

We have audited the accompanying financial statements of **Mamu Tshishkutamashutau / Innu Education Inc.** which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and July 1, 2011 and the statements of Board accumulated surplus, operations, changes in net financial assets (debt) and cash flows for the year ended March 31, 2013 and for the nine months ended March 31, 2012 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 board standards for not-for-profit organizations, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 **Mamu Tshishkutamashutau / Innu Education Inc.** as at March 31, 2013, March 31, 2012 and July 1, 2011 and its financial performance and its cash flows for the year then ended March 31, 2013 and the nine months then ended March 31, 2012 in accordance with Canadian public sector accounting board standards for not-for-profit organizations.

Walters Hoffe
Chartered Accountants

Gander, Newfoundland

September 20, 2013

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Statement of Financial Position

March 31, 2013, March 31, 2012 and July 1, 2011

	<u>2013</u>	<u>Nine Months 2012</u>	<u>Opening July 1 2011</u>
Financial Assets			
Cash	\$ 1,200	10,568	337,669
Receivables (Note 3)	<u>725,740</u>	<u>766,046</u>	<u>900,985</u>
Total assets	<u>726,940</u>	<u>776,614</u>	<u>1,238,654</u>
Liabilities			
Bank current accounts overdrafts	55,046	564,816	-
Operating line of credit (Note 5)	-	150,000	-
Payables and accruals (Note 6)	1,583,082	1,458,009	1,114,870
Contingent liability (Note 7)	31,617	-	-
Deferred revenue	147,201	-	-
Obligations under capital lease (Note 8)	<u>-</u>	<u>11,609</u>	<u>25,601</u>
	<u>1,816,946</u>	<u>2,184,434</u>	<u>1,140,471</u>
Net Financial Assets (Debt)	<u>(1,090,006)</u>	<u>(1,407,820)</u>	<u>98,183</u>
Non-Financial Assets			
Capital assets (Note 4)	579,897	753,236	711,257
Prepaid expenses	<u>117,724</u>	<u>137,863</u>	<u>-</u>
	<u>697,621</u>	<u>891,099</u>	<u>711,257</u>
Accumulated Surplus (Deficit)	<u>\$(392,385)</u>	<u>(516,721)</u>	<u>809,440</u>

See accompanying notes

Approved:

_____ Trustee

_____ Trustee

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Statement of Board Accumulated Surplus (Deficit)

Periods ended March 31, 2013 and 2012

	<u>2013</u>	<u>Nine months 2012</u>
Contributed surplus:		
Balance, beginning of year	\$ 405,135	405,135
Equipment contributions received during the year	<u>-</u>	<u>-</u>
Balance, end of year	<u>405,135</u>	<u>405,135</u>
Board surplus (deficit):		
Balance, beginning of year: As previously reported	(905,964)	404,305
Correction of prior year accounting errors (Note 10)	<u>(15,892)</u>	<u>24,902</u>
As restated	(921,856)	429,207
Current year surplus (deficit)	<u>124,336</u>	<u>(1,351,063)</u>
Balance, end of year	<u>(797,520)</u>	<u>(921,856)</u>
Total Board Accumulated Surplus (Deficit)	<u>\$(392,385)</u>	<u>(516,721)</u>

See accompanying notes

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Statement of Operations

Periods ended March 31, 2013 and 2012

	2013		Nine months 2012
	Budget (Note 14)	Actual	Actual
Revenues:			
Elementary/secondary instructional services:			
Aboriginal Affairs and Northern Development Canada	\$ 6,495,387	6,463,827	4,479,508
Innu Trust (Note 11)	602,293	602,293	-
Financial assistance allowances	25,421	25,421	13,860
Guidance and counseling	133,852	133,852	81,461
Advice and assistance, Provincial schools	1,228	1,228	800
Student transportation	204,143	204,143	129,143
Operation and maintenance	1,346,690	1,346,690	364,894
Post-secondary education supports:			
Aboriginal Affairs and Northern Development Canada	58,625	58,625	46,900
Innu Trust (Note 11)	160,036	160,036	-
Sheshatshiu Innu First Nation (Note 11)	-	100,000	-
Special education funding:			
Aboriginal Affairs and Northern Development Canada	120,000	120,000	120,000
Innu Trust (Note 11)	180,715	184,153	-
First Nation Student Success program	1,026,362	1,026,362	978,727
New Paths for Education	160,642	160,642	63,151
Parental and Community Engagement	20,460	20,460	20,461
Education Partnerships program	135,150	135,150	-
Innu Trust Fund - other	-	-	(415)
Other (Schedule 6)	40,400	104,745	86,841
Total revenue	10,711,404	10,847,627	6,385,331
Expenditures:			
Board and administration (Schedule 1)	1,068,184	1,013,847	793,216
Instructional (Schedule 2)	6,106,736	6,024,726	4,233,255
Guidance and counseling (Schedule 3)	80,880	52,327	56,934
Post-secondary education supports (Schedule 3)	158,625	318,661	90,433
Special education program (Schedule 3)	329,141	286,883	180,535
First Nation Student Success program (Schedule 3)	1,062,562	1,012,025	846,731
New Paths for Education (Schedule 3)	97,242	163,251	63,682
Education Partnerships program (Schedule 3)	135,150	135,150	-
Parental and Community Engagement (Schedule 3)	20,460	20,460	20,237
Operations and maintenance (Schedule 4)	1,298,610	1,318,268	1,174,986
Student transportation (Schedule 5)	299,212	291,594	201,088
Other (Schedule 6)	-	86,099	75,297
Total expenditures	10,656,802	10,723,291	7,736,394
Surplus (Deficit)	\$ 54,602	124,336	(1,351,063)

See accompanying notes

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.**Statement of Changes in Net Financial Assets (Debt)**

Periods ended March 31, 2013 and 2012

	<u>2013</u>	<u>Nine months 2012</u>
Year ended March 31, 2013		
Net Debt - beginning of year	<u>\$(1,407,820)</u>	<u>98,183</u>
Surplus (Deficit)	124,336	(1,351,063)
Correction of prior year accounting error	<u>-</u>	<u>24,902</u>
	<u>124,336</u>	<u>(1,326,161)</u>
Changes in capital assets:		
Acquisition of capital assets	(103,381)	(249,245)
Amortization of capital assets	<u>276,720</u>	<u>207,266</u>
Decrease (Increase) in net book value of capital assets	<u>173,339</u>	<u>(41,979)</u>
Changes in non-financial assets:		
Decrease (increase) in prepaid expenses	<u>20,139</u>	<u>(137,863)</u>
Decrease (Increase) in debt	<u>317,814</u>	<u>(1,506,003)</u>
Net Debt - end of year	<u>\$(1,090,006)</u>	<u>(1,407,820)</u>

See accompanying notes

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Statement of Cash Flows

Periods ended March 31, 2013 and 2012

	<u>2013</u>	Nine Months <u>2012</u>
Operations:		
Surplus (deficit)	\$ 124,336	(1,351,063)
Amortization	<u>276,720</u>	<u>207,266</u>
	<u>401,056</u>	<u>(1,143,797)</u>
 Changes in:		
Receivables	40,306	159,840
Prepaid expenses	20,139	(137,863)
Payables and accruals	125,073	343,140
Contingent liability	31,617	-
Deferred revenue	<u>147,201</u>	<u>-</u>
	<u>364,336</u>	<u>365,117</u>
 Net cash provided from operations	 765,392	 (778,680)
 Investing:		
Additions to capital assets	<u>(103,381)</u>	<u>(249,245)</u>
 Financing:		
Repayment of capital lease obligation	<u>(11,609)</u>	<u>(13,992)</u>
 Net increase (decrease) in cash	 650,402	 (1,041,917)
 Cash, net of bank indebtedness:		
Beginning	<u>(704,248)</u>	<u>337,669</u>
Ending	<u>\$(53,846)</u>	<u>(704,248)</u>
 Cash consists of:		
Cash on hand	\$ 1,200	10,568
Bank current account overdrafts	(55,046)	(564,816)
Operating line of credit	<u>-</u>	<u>(150,000)</u>
	<u>\$(53,846)</u>	<u>(704,248)</u>

See accompanying notes

Board and Administration Expenditures

Periods ended March 31, 2013 and 2012

	2013		Nine months 2012
	Budget (Note 14)	Actual	Actual
Board office staff costs:			
Salaries and wages	\$	307,006	242,156
Employee benefits		38,996	32,529
WHSCC costs		10,260	8,434
	<u>407,331</u>	<u>356,262</u>	<u>283,119</u>
Board costs:			
Honoraria	216,000	220,500	168,975
Travel	100,000	84,214	68,764
Director of Administration contract	40,000	24,628	18,232
Travel:			
Teacher	23,000	31,745	6,763
Director	17,000	21,438	11,403
Assistant director	13,000	6,752	10,261
Community director - Sheshatshiu	10,000	12,142	9,314
Community director - Natuashish	10,000	4,741	7,627
Staff - Sheshatshiu	5,500	6,450	4,900
Staff - Natuashish	-	-	42,502
Curriculum development and staffing costs:			
Annual teacher recruitment	24,000	23,192	18,147
Teacher orientation	4,000	4,522	4,599
Professional development	3,000	2,927	6,572
Curriculum development and support	47,403	-	3,019
Administrative expenses:			
Repairs and maintenance	-	33,850	-
Office supplies	15,000	20,263	11,304
Support services	14,000	15,601	22,628
Professional fees	30,000	31,456	31,253
Office rental	63,600	41,610	20,616
Telecommunications	17,350	18,245	21,512
Bank charges and interest	-	10,347	8,847
Amortization	8,000	11,878	10,708
Interest on capital leases	-	392	1,421
Provision for bad debts	-	7,256	730
HST claims adjustment	-	23,436	-
	<u>\$ 1,068,184</u>	<u>1,013,847</u>	<u>793,216</u>

See accompanying notes

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Schedule 2

Instructional Expenditures

Periods ended March 31, 2013 and 2012

	Budget (Note 14)	2013		Actual	Nine months 2012 Actual
		Sheshatshiu	Natuashish		
Regular teaching staff costs:					
Salaries and wages	\$	2,273,813	1,821,147	4,094,960	2,734,947
Employee benefits		352,323	263,842	616,165	455,703
WHSCC costs		70,315	54,025	124,340	100,698
		<u>4,868,140</u>	<u>2,139,014</u>	<u>4,835,465</u>	<u>3,291,348</u>
Substitute teaching staff costs:					
Salaries and wages		65,539	9,788	75,327	77,316
Employee benefits		3,846	479	4,325	5,932
WHSCC costs		2,011	339	2,350	2,465
		<u>93,000</u>	<u>10,606</u>	<u>82,002</u>	<u>85,713</u>
Classroom assistant costs:					
Salaries and wages		321,622	353,283	674,905	464,439
Employee benefits		47,749	41,524	89,273	57,959
WHSCC costs		10,258	10,940	21,198	18,067
		<u>850,896</u>	<u>405,747</u>	<u>785,376</u>	<u>540,465</u>
Instructional materials	95,000	28,350	43,081	71,431	40,846
Cultural activities and programs	-	-	-	-	5,736
Nutrition program:					
Salaries and wages	-	-	13,852	13,852	13,377
Employee benefits	-	-	1,004	1,004	2,376
WHSCC costs	-	-	385	385	470
	-	-	<u>15,241</u>	<u>15,241</u>	<u>16,223</u>

(Continued...)

See accompanying notes

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Schedule 2 (continued)

Instructional Expenditures

Periods ended March 31, 2013 and 2012

	2013			Nine months 2012 Actual
	Budget (Note 14)	Sheshatshiu	Natuashish Actual	
Nutrition supplies	\$ 35,000	14,614	29,822	57,649
School office supplies	6,000	3,249	4,383	8,672
Student activities	40,000	23,414	27,161	73,723
Photocopying	8,000	3,484	1,131	5,248
Amortization	110,700	50,236	77,717	107,632
	<u>\$ 6,106,736</u>	<u>3,270,823</u>	<u>2,753,903</u>	<u>4,233,255</u>

See accompanying notes

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Schedule 3 (Continued)

Other Program Expenditures

Periods ended March 31, 2013 and 2012

	Budget (Note 14)	2013		Actual	Nine months 2012 Actual
		Sheshatshiu	Natuashish		
Staff costs:					
Salaries and wages	\$	27,872	53,426	81,298	77,264
Employee benefits		1,441	4,543	5,984	9,538
WHSCC costs		56	2,032	2,088	2,586
		<u>29,369</u>	<u>60,001</u>	<u>89,370</u>	<u>89,388</u>
Instructional materials	5,500	1,147	-	1,147	17,150
Student service travel	198,641	19,631	80,687	100,318	27,685
Student service fees	23,000	13,397	52,703	66,100	46,235
Amortization	500	-	465	465	77
Administration	-	<u>29,483</u>	-	<u>29,483</u>	-
	\$ <u>329,141</u>	<u>93,027</u>	<u>193,856</u>	<u>286,883</u>	<u>180,535</u>

(Continued...)

See accompanying notes

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Schedule 3 (Continued)

Other Program Expenditures

Periods ended March 31, 2013 and 2012

First Nation Student Success Program

	2013		2012		Nine months
	Budget	Actual	Budget	Actual	Actual
	(Note 14)				
FNSPP staff costs:					
Salaries and wages	\$	381,130		320,816	
Employee benefits		50,254		42,636	
WHSCC costs		12,108		4,636	
		<u>436,628</u>		<u>368,088</u>	
Project consultants	108,000	105,441		37,271	
External consultants	-	-		6,926	
Travel	110,000	101,962		23,081	
Materials	216,500	168,246		182,931	
Equipment	20,000	12,666		11,839	
Professional development	62,000	81,615		83,458	
Community consultation	30,500	23,013		48,066	
Administration	36,234	36,060		63,162	
Amortization	36,200	33,030		21,909	
Meeting costs	6,500	6,500		-	
	<u>\$ 1,062,562</u>	<u>1,012,025</u>		<u>846,731</u>	

Capital assets purchased using FNSPP Program funds during the year ended March 31, 2013:

- Toshiba satellite laptop
- 40 21.5" iMac computers
- 5 27" iMac computers

\$ 1,099
49,960
10,395

\$ 61,454

See accompanying notes

(Continued....)

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Schedule 3 (Continued)

Other Program Expenditures

Periods ended March 31, 2013 and 2012

	2013			Nine months 2012 <u>Actual</u>
	<u>Budget</u> (Note 14)	<u>Sheshatshiu</u>	<u>Natuashish</u>	
Materials	\$ -	150	8,861	2,936
Cultural activities	54,499	43,055	25,450	41,691
Innu language	29,076	44,090	34,387	13,474
Child care	11,067	4,025	660	3,907
Amortization	2,600	-	2,573	1,674
	<u>\$ 97,242</u>	<u>91,320</u>	<u>71,931</u>	<u>63,682</u>

See accompanying notes

(Continued.....)

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Schedule 3 (Continued)

Other Program Expenditures

Periods ended March 31, 2013 and 2012

Education Partnerships Program

	2013		Nine months 2012 Actual
	Budget (Note 14)	Actual	
Staff costs:			
Salaries and wages		29,983	-
Employee costs		3,990	-
WHSCC costs		273	-
	<u>28,800</u>	<u>34,246</u>	<u>-</u>
Consultation fees	23,000	27,964	-
Accommodations	12,600	10,017	-
Printing and publishing costs	3,000	210	-
Transportation/travel	36,100	33,656	-
Project team meetings	-	3,379	-
Elder/guest speakers	6,000	-	-
Legal fees	-	383	-
Administration	7,650	7,606	-
Board honoraria	18,000	16,875	-
Miscellaneous	-	814	-
	<u>\$ 135,150</u>	<u>135,150</u>	<u>-</u>

See accompanying notes

(Continued.....)

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Schedule 3 (Continued)

Other Program Expenditures

Periods ended March 31, 2013 and 2012

	2013		Actual	Nine months 2012 Actual
	Budget (Note 14)	Sheshatshiu Natuashish		
Elder visits	\$ 17,460	9,219	18,784	17,316
Community consultation	<u>3,000</u>	<u>1,011</u>	<u>1,676</u>	<u>2,921</u>
	<u>\$ 20,460</u>	<u>10,230</u>	<u>20,460</u>	<u>20,237</u>

See accompanying notes

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Schedule 4

Operations and Maintenance Expenditures

Periods ended March 31, 2013 and 2012

	2013		Actual	Nine months 2012 Actual
	Budget (Note 14)	Sheshatshiu Natuashish		
Janitorial and maintenance staff costs:				
Salaries and wages	\$ 204,502	98,565	303,067	231,869
Employee benefits	21,637	3,136	24,773	20,255
WHSCC costs	6,295	3,061	9,356	7,701
	<u>346,652</u>	<u>104,762</u>	<u>337,196</u>	<u>259,825</u>
Office administrator staff costs:				
Salaries and wages	67,541	72,452	139,993	104,674
Employee benefits	8,708	6,303	15,011	11,676
WHSCC costs	2,164	3,224	5,388	3,704
	<u>142,137</u>	<u>81,979</u>	<u>160,392</u>	<u>120,054</u>
School building insurance	86,000	-	90,325	53,053
Teachers' residence supplies	5,000	7,087	7,087	39,554
Contracted services	273,000	274,103	284,044	251,546
Telecommunications	45,000	15,434	35,888	34,559
Fuel	125,000	135,393	135,393	109,622
Electricity	35,400	-	46,554	40,771
Water and sewer	-	-	14,467	-
Janitorial supplies	45,000	14,308	39,147	52,463
Maintenance supplies	37,000	35,858	48,354	60,811
Office supplies	4,000	3,519	3,519	13,709
Repairs and maintenance	85,221	10,288	39,080	91,566
Amortization	36,200	34,087	42,105	22,320
Vehicle operating	33,000	24,155	34,717	25,133
	<u>\$ 1,298,610</u>	<u>740,973</u>	<u>1,318,268</u>	<u>1,174,986</u>

See accompanying notes

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Schedule 5

Student Transportation Expenditures

Periods ended March 31, 2013 and 2012

	2013		Actual	Nine months months 2012 Actual
	Budget (Note 14)	Sheshatshiu Natuashish		
Student transportation staff costs:				
Salaries and wages	\$	105,386,28,405	133,791	74,823
Employee benefits		18,593	2,310	12,121
WHSCC costs		3,014	818	2,401
		<u>162,712</u>	<u>158,526</u>	<u>89,345</u>
Operational costs:				
Gas, diesel and lubricants		13,309	1,497	14,558
Repairs and maintenance		43,948	985	46,335
Supplies		1,650	-	68
Insurance		4,444	3,944	4,008
Telecommunications		554	-	554
Licences and registration		908	771	1,789
Storage		1,650	-	400
Miscellaneous		691	-	1,087
		<u>40,000</u>	<u>7,197</u>	<u>68,799</u>
Amortization		96,500	27,171	42,944
		<u>\$ 299,212</u>	<u>225,693,65,901</u>	<u>201,088</u>

See accompanying notes

Other Revenues and Expenditures

Periods ended March 31, 2013 and 2012

	<u>2013</u>	Nine months <u>2012</u>
<u>Other revenues:</u>		
Kamataukatshiuht Festival	\$ 40,300	45,489
School programs and activities:		
Medical Lexicon project	-	35,000
Rentals	17,000	5,600
International Grenfell Association - SIS technology program	12,000	-
Memorial University - Innu Curriculum	15,000	-
MINS instructional supplies	20,000	-
Miscellaneous	<u>445</u>	<u>752</u>
	<u>\$ 104,745</u>	<u>86,841</u>
<u>Other expenditures:</u>		
School programs and activities:		
Medical Lexicon project	\$ 4,643	28,265
Kamataukatshiuht Festival	51,022	44,520
K-6 Innu program	2,593	-
International Grenfell Association - SIS technology program	12,540	-
Memorial University - Innu Curriculum	15,000	-
Innu Dictionary project	-	1,300
Miscellaneous	<u>301</u>	<u>1,212</u>
	<u>\$ 86,099</u>	<u>75,297</u>

See accompanying notes

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Notes to the Financial Statements

March 31, 2013 and 2012

Nature of Business

Mamu Tshishkutamashutau/Innu Education Inc. was incorporated under the Corporations Act of Newfoundland and Labrador on June 2, 2009 as a corporation without share capital. The organization operates two schools on behalf of the Mushuau Innu First Nation and Sheshatshiu Innu First Nation band members ordinarily residing in Natuashish and Sheshatshiu, Newfoundland and Labrador.

Its mission is "to provide quality education that meets the individual and collective needs and vision of our students in a manner that respects and honors the Innu culture, language, values and traditions, and prepares them to be proud contributing members of the communities and the broader society".

Mamu Tshishkutamashutau/Innu Education Inc. is a not-for-profit entity and is not subject to income taxes under the Canadian Income Tax Act.

During 2012 the entity changed its fiscal year end from June 30 to March 31. This was done with the approval of the Board.

1. Summary of significant accounting policies:

The financial statements were prepared in accordance with Canadian public sector accounting board standards for not-for-profit organizations and include the following significant accounting policies:

Cash and cash equivalents

The entity's cash consists of cash balances less any outstanding transactions at March 31, 2013 and 2012. There were no cash equivalents at either March 31, 2013 or March 31, 2012.

Revenue recognition

The Board follows the deferral method of accounting for contributions. Under the deferral method, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses incurred.

The major source of funding for the Board comes from Aboriginal Affairs and Northern Development Canada. Funding agreements are entered into based on fiscal years ending March 31. The Board recognizes revenues from the funding agency as funds are allocated to the Board under the funding agreement and related amendments. Funding from other sources are recognized in the same manner, except in cases where funds are restricted for a specific expenditure. In these cases, revenues are deferred and recognized when expenditures are incurred.

(Continued...)

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Notes to the Financial Statements

March 31, 2013 and 2012

1. Summary of significant accounting policies (continued):

Capital assets

Purchases of capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. The Board provides for amortization using the following methods at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates and methods are as follows:

Computer equipment	3 years	Straight line
Computer software	3 years	Straight line
Service vehicles	5 years	Straight line
School buses	8 years	Straight line
Bussing equipment	5 years	Straight line
Equipment	5 years	Straight line

Contributions recognized as capital assets include contributed school buses, computer software and computer equipment in the 2009-2010 fiscal year having a fair value of \$405,135.

Assets under capital lease

Leases are classified as either capital or operating leases. At the time the Board enters into a capital lease, an asset is recorded with its related long-term obligation to reflect the acquisition and financing. Amortization is based on its estimated useful life using the same methods and rates as capital assets noted above.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting board standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Items requiring the use of significant estimates include the useful life of capital assets and estimate of contingent liability.

Estimates are based on the best financial information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

Expenses

Expenses are reported on an accrual basis. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services or the creation of an obligation to pay.

(Continued...)

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Notes to the Financial Statements

March 31, 2013 and 2012

1. Summary of significant accounting policies (continued):

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. In the case of capital assets, they have useful lives generally extending beyond the current year and are not intended for sale in the ordinary course of operations. In the case of prepaid expenses, they are expected to be expensed into operations within the next year of operations.

The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the net change in net financial assets for the year.

Financial instruments

The Board initially measures its financial assets and liabilities at fair value. The Board subsequently measures all of its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and receivables. Financial liabilities measured at amortized cost include payables and accruals and deferred revenues.

Pension costs

Employees of Mamu Tshishkutamashutau/Innu Education Inc. are covered by a defined contribution pension plan, funded through Sunlife Insurance. Contributions to the plans are required from both the employees and the Board. The annual contributions for pensions are recognized in the accounts on a current basis.

2. Impact of the change in the basis of accounting:

These financial statements are the first financial statements for which Mamu Tshishkutamashutau/Innu Education Inc. has applied Canadian public sector accounting board standards ("PSAB") for not-for-profit organizations. The financial statements for the year ended March 31, 2013 were prepared in accordance with PSAB for not-for-profit organizations. Comparative period information presented for the year ended March 31, 2012 was prepared in accordance with PSAB for not-for-profit organizations and the provisions set out in Section PS 2125 First-time adoption by government organizations.

On April 1, 2012 the entity adopted Canadian PSAB for not-for-profit organizations. The standards were adopted retrospectively with adjustment to the comparative figures. The changes to net assets at the date of transition were nil.

A reconciliation of the net income reported in the Board's most recent previously issued financial statements to its net income under Canadian PSAB for not-for-profit organizations for the same period is not disclosed as there were no adjustments to report on transition.

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Notes to the Financial Statements

March 31, 2013 and 2012

3. Receivables:

	<u>2013</u>	<u>Nine months 2012</u>
Aboriginal Affairs and Northern Development Canada	\$ 526,741	557,233
Sales tax rebate	172,850	179,395
Rent	1,000	4,100
Employee payroll overpayment	200	1,136
Employee advances	4,961	4,794
Travel advances	7,582	5,130
Miscellaneous	<u>12,406</u>	<u>14,258</u>
	<u>\$ 725,740</u>	<u>766,046</u>

4. Capital assets:

	<u>2013</u>			<u>Nine months 2012</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ 502,975	391,416	111,559	166,701
Computer software	109,714	89,650	20,064	54,559
Service vehicles	175,536	84,575	90,961	126,083
School buses	465,000	186,979	278,021	336,146
Bussing equipment	2,960	1,776	1,184	1,777
Equipment and furnishings	135,802	57,694	78,108	41,957
Equipment under capital lease	-	-	-	<u>26,013</u>
	<u>\$ 1,391,987</u>	<u>812,090</u>	<u>579,897</u>	<u>753,236</u>

5. Bank credit facilities:

The Board has a revolving credit facility with the Royal Bank of Canada for \$150,000. The interest rate on this credit facility is the bank's prime rate plus 1.75%. Borrowings under this facility are repayable on demand.

It also has a Visa business credit card account with a credit limit of \$30,000.

The security for the borrowings and all other obligations owed to the bank includes:

- (a) General security agreement constituting a first ranking security interest in all personal property of the Board
- (b) Borrowing resolution of the Board for \$150,000, supporting the revolving loan credit facility
- (c) Borrowing resolution of the Board, supporting the Visa credit limit

At balance sheet date, there was no amount owing on the revolving credit facility.

At balance sheet date, the balance owing on the Visa business credit card was \$5,249. This amount has been included with the trade payables (Note 6) in these financial statements.

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Notes to the Financial Statements

March 31, 2013 and 2012

6. Payables and accruals:

	<u>2013</u>	<u>Nine months 2012</u>
Trade	\$ 467,311	299,788
Payroll deductions	68,920	72,186
Instructional staff summer pay	526,741	480,233
Administrative accrued vacation and sick leave	30,503	30,030
Accrued wages	164,142	168,656
Group insurance benefits	34,508	35,235
Pension benefits	82,229	197,081
Instructional accrued sick leave	150,768	125,944
WHSCC premiums	46,485	48,428
Miscellaneous	<u>11,475</u>	<u>428</u>
	<u>\$ 1,583,082</u>	<u>1,458,009</u>

At the end of the year, the Board employee pension benefits payable for March, 2013, totaling \$82,229, was outstanding.

At the time of our engagement in August, 2013, these pension benefits had been paid.

7. Contingent liability:

There is a potential claim against Mamu Tshishkutamashutau/Innu Education Inc. by a former employee who is claiming unjust dismissal. The employee made a settlement proposal claiming one year's salary. The Board has counter offered a settlement of three months' salary, with statutory deductions and employee benefits payments, as a severance payment and an additional two months' salary, without statutory deductions and employee benefits payments, as general damages.

The cost of the employee's settlement proposal of one year's salary with statutory deductions and employee benefits payments is \$81,420. The cost of the Board's counter proposal is \$31,617. At the date of our report, it is not known if this claim will proceed to litigation or whether it will be settled.

In accordance with the recommendations in the CICA Standards and Guidance Collections, this contingent liability and related loss has been accrued in the financial statements by a charge to income. Both of the following conditions have been met:

- (a) it is likely that a future event will confirm that an asset had been impaired or a liability incurred at the date of the financial statements; and
- (b) the amount of the loss can be reasonably estimated.

As indicated above, the estimation of the amount of the contingent loss to be accrued in the financial statements is based on information that provides a range of the amount of loss. Since there is no indication at the date of this report as to whether the claim will be settled and, if so, for how much or whether it will go to litigation, neither amount within the range appears to be a better estimate than any other. In accordance with CICA Standards and Guidance Collections recommendations, when no amount within the range is indicated as a better estimate than any other, the minimum amount in the range has been accrued.

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Notes to the Financial Statements

March 31, 2013 and 2012

8. Obligations under capital lease:	<u>2013</u>	Nine months <u>2012</u>
9.93% capital lease over equipment; repayable in monthly instalments of \$856 including interest; repaid during the year	\$ -	5,804
9.93% capital lease over equipment; repayable in monthly instalments of \$856 including interest; repaid during the year	<u>-</u>	<u>5,805</u>
	-	11,609
Current portion	<u>-</u>	<u>11,609</u>
	<u>\$ -</u>	<u>-</u>

9. Contracts:

At balance sheet date, the Board had the following contracts:

- (a) Contract with Aboriginal Cleaners Limited for the provision of commercial cleaning services. Services were to commence on August 22, 2012 and the contract expires August 21, 2014. The total amount of the contract is \$548,760.
- (b) Contract with Calvin Patey Consulting Inc. to provide consulting services to the Board and to the Directors of Education. The contract was signed on January 31, 2011 with services commencing immediately. The completion date of the contract is to be determined.

10. Correction of prior year accounting errors:

- (a) In 2011, an amount receivable of \$34,902 related to funding from Aboriginal Affairs and Northern Development Canada was not recorded. This was corrected in the period ended March 31, 2012 and the comparative figures for the period ended March 31, 2012 have been restated to reflect this correction.
- (b) In 2010 and 2011, an amount receivable of \$10,000 related to funding from the Innu Trust Fund was incorrectly recorded as revenue. These allocated funds were never spent and the receivable and related revenue should not have been recorded. This was corrected in the current year and the comparative figures for the period ended March 31, 2012 have been restated to reflect this correction.
- (c) In 2012, an amount receivable of \$23,288 from the Board's property insurer was applied to the insurance contract for the 2012-2013 year. The application of the amount to the insurance contract was not recorded in 2012 and the amount remained in accounts receivable. This was corrected in the current year resulting in an increase in insurance expense for 2012 of \$5,892 and an increase in prepaid insurance asset of \$17,396. The comparative figures for the period ended March 31, 2012 have been restated to reflect this correction.

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Notes to the Financial Statements

March 31, 2013 and 2012

11. Related parties:

The Mushuau Innu Band Council (MIFN) and the Shetshatshiu Innu Band Council (SIFN) each appoint four members to the Board of Trustees of Mamu Tshishkutamashutau/Innu Education Inc. These eight members comprise the total Board.

MIFN and SIFN appoint all of the trustees of the Innu Trust.

The following amounts were received from these related parties during the year ended March 31, 2013:

Innu Trust:

Elementary/secondary instructional services	\$ 626,530
Less deferred revenue	<u>(24,237)</u>
	<u>602,293</u>
Special education funding	<u>184,153</u>
Post-secondary education supports	280,000
Less deferred revenue	<u>(119,964)</u>
	<u>160,036</u>
Total received and recorded as revenue in the current year	<u>\$ 946,482</u>

Sheshatshiu Innu First Nation:

Post-secondary education supports	<u>\$ 100,000</u>
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12. Financial assets and liabilities:

The significant risks to which the company is exposed are interest rate risk and liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The bank revolving credit facility bears interest at the bank prime rate plus 1.75%. Changes in the bank's prime lending rate can cause fluctuations in interest payments and cash flows. The Board does not use derivative financial instruments to alter the effects of this risk.

Liquidity risk

Liquidity risk is the risk the Board will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to liquidity risk arising primarily from its payables and accruals. The Board's ability to meet obligations depends mainly on funding from the Federal Government of Canada through Aboriginal Affairs and Northern Development Canada. This risk is mitigated by the fact that the funding agreements are negotiated in advance and are in place for one-year periods.

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Notes to the Financial Statements

March 31, 2013 and 2012

13. Reconciliation of funding received from Aboriginal Affairs and Northern Development Canada:

	<u>AANDC Contract</u>	<u>Financial Statements</u>	<u>Difference</u>	<u>Comments</u>
Elementary and secondary - instructional services	\$ 6,417,318	6,463,827	46,509	Note (a) below
Student transportation services	204,143	204,143	-	
Financial assistance allowances	25,421	25,421	-	
Guidance and counselling	133,852	133,852	-	
Advice and assistance, Provincial schools	1,228	1,228	-	
Post-secondary student support program	58,625	58,625	-	
School operation and maintenance	1,294,894	1,294,894	-	
Development of maintenance management systems	<u>51,796</u>	<u>51,796</u>	-	
	<u>1,346,690</u>	<u>1,346,690</u>	-	
School effectiveness (New Paths)	160,642	160,642	-	
Parental and community engagement	20,460	20,460	-	
Student success plans	669,994	669,994	-	
Student learning assessment	194,568	194,568	-	
FNSSP - performance measurement	161,800	161,800	-	
	<u>1,026,362</u>	<u>1,026,362</u>	-	
Special education:				
Band operated school - direct services	80,000	80,000	-	
Band operated school - indirect services	<u>40,000</u>	<u>40,000</u>	-	
	<u>120,000</u>	<u>120,000</u>	-	
Partnership advancement (Education Partnerships)	<u>135,150</u>	<u>135,150</u>	-	
Total	<u>\$ 9,649,891</u>	<u>9,696,400</u>	<u>46,509</u>	

(a) Accrual of receivable related to teachers' summer pay earned to March 31, 2013 for summer of 2013

MAMU TSHISHKUTAMASHUTAU / INNU EDUCATION INC.

Notes to the Financial Statements

March 31, 2013 and 2012

14. Unaudited budget figures:

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Trustees.