

**Gesgapegiag Human Resource
Development Commission**

**Financial Statements
March 31, 2017**

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Independent Auditor's Report

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To the Council Members of
Gesgapegiag Human Resource Development Commission

We have audited the accompanying financial statements of Gesgapegiag Human Resource Development Commission, which comprise the statement of financial position as at March 31, 2017 and the statements of operations and changes 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 qualified audit opinion.

Basis for qualified opinion

The Organization has accounted for capital acquisitions as expenses instead of capitalizing and amortizing them. In this respect, the financial statements are not in accordance with Canadian public sector accounting standards. The effects of this departure were not calculated.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Gesgapegiag Human Resource Development Commission as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Organization's ability to continue as a going concern.

1



New Richmond
July 13, 2017

¹ CPA auditor, CA public accountancy permit no. A113171

Gesgapegiag Human Resource Development Commission

Operations and Changes in Net Assets

Year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
Revenues		
Provincial contributions		
First Nations Human Resources Development Commission of Quebec	640,397	380,689
Assembly of First Nations of Quebec and Labrador		8,959
Emploi Québec	33,402	
Federal contributions		
Student project	13,624	
Micmacs of Gesgapegiag Band contributions		
Welfare injection	37,056	6,348
Other revenues	133,363	10,767
Listuguj Mi'gmaq Development Council	150,474	
Other revenues	5,003	25,954
	<u>1,013,319</u>	<u>432,717</u>
Expenses		
Salaries and fringe benefits	291,487	133,170
Contributions to Micmacs of Gesgapegiag Band	64,032	139,040
Equipment, materials and supplies	9,007	6,383
Travel	93,013	42,833
Contracts	87,441	34,045
Office supplies	95,522	24,621
Rental expenses	19,318	10,615
Student allowance	65,107	56,294
Training fees	790	878
Purchase of equipment	19,983	6,471
Living allowance	15,460	32,282
Administration fees	6,600	496
Registration fees	33,584	23,138
Program aids		1,515
Audit fees	10,255	5,900
Doubtful accounts		2,557
Miscellaneous	417	338
Interest and bank charges	2,445	1,260
	<u>814,461</u>	<u>521,836</u>
Excess (deficiency) of revenues over expenses	198,858	(89,119)
Negative net assets, beginning of year	<u>(319,859)</u>	<u>(230,740)</u>
Negative net assets, end of year	<u>(121,001)</u>	<u>(319,859)</u>

The accompanying notes are an integral part of the financial statements.

Gesgapegiag Human Resource Development Commission

Cash Flows

Year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	198,858	(89,119)
Non-cash items		
Changes in working capital items	<u>24,509</u>	<u>45,198</u>
Cash flows from operating activities and net increase (decrease) in cash	223,367	(43,921)
Cash, beginning of year	<u>2,690</u>	<u>46,611</u>
Cash, end of year	<u><u>226,057</u></u>	<u><u>2,690</u></u>

The accompanying notes are an integral part of the financial statements.

Gesgapegiag Human Resource Development Commission

Financial Position

March 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
ASSETS		
Current		
Cash	226,057	2,690
Trade and other receivables (Note 4)	154,433	28,956
	<u>380,490</u>	<u>31,646</u>
LIABILITIES		
Current		
Trade payables and other operating liabilities (Note 6)	130,792	8,605
Deferred revenues	50,000	
Due to Micmacs of Gesgapegiag Band, without interest	320,699	342,900
	<u>501,491</u>	351,505
NEGATIVE NET ASSETS		
Unrestricted	<u>(121,001)</u>	<u>(319,859)</u>
	<u>380,490</u>	<u>31,646</u>

The accompanying notes are an integral part of the financial statements.

On behalf of the Board,

Director

Director

Gesgapegiag Human Resource Development Commission

Notes to Financial Statements

March 31, 2017

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Organization was created for the purpose of providing funds for different measures according to the agreement with the First Nations Human Resources Development Commission of Quebec. The organization is not subject to Income Tax Act.

2 - GOING CONCERN ASSUMPTION

The financial statements are prepared in accordance with Canadian public sector accounting standards in particular the assumption that the Organization is a going concern, meaning it will be able to realize its assets and discharge its liabilities in the normal course of operations.

In light of operating losses incurred in past years and a working capital deficiency, there is significant doubt about the Organization's ability to continue as a going concern. The Organization's ability to realize its assets and discharge its liabilities depends on the continued financial support of the Micmacs of Gesgapegiag Band.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the financial position classification have not been adjusted as would be required if the going concern assumption were not appropriate.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Organization's financial statements are prepared in accordance with Canadian public sector accounting standards in the *CPA Canada Public Sector Accounting Handbook*. The Organization has elected to apply the accounting standard recommendations applicable solely to government not-for-profit organizations in Sections PS 4200 to PS 4270 of the *CPA Canada Public Sector Accounting Handbook*.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Gesgapegiag Human Resource Development Commission

Notes to Financial Statements

March 31, 2017

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Contributions

The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are reported as direct increases in net assets.

Moreover, the Organization recognizes contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

Financial assets and liabilities

Initial measurement

The Organization recognizes a financial asset or a financial liability on the statement of financial position when, and only when, it becomes a party to the contractual provisions of the financial instrument. Unless otherwise stated, financial assets and liabilities are initially measured at cost.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets).

The Organization determines whether there is any objective evidence of impairment of the financial assets, for both financial assets subsequently measured at amortized cost and financial assets subsequently measured at fair value. Any financial asset impairment is recognized in the statement of operations and, in the case of a financial asset classified to the fair value category, the reversal of any net remeasurements is presented in the statement of remeasurement gains and losses when an impairment is recognized.

Cash and cash equivalents

The Organization's policy is to present in cash and cash equivalents bank balances, including bank overdrafts whose balances fluctuate frequently from being positive to overdrawn, and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

Tangible capital assets

Tangible capital assets are shown as expenses in the year they occur and no allowance for depreciation is recorded in the financial statements.

Gesgapegiag Human Resource Development Commission

Notes to Financial Statements

March 31, 2017

4 - TRADE AND OTHER RECEIVABLES

	<u>2017</u>	<u>2016</u>
	\$	\$
FNHRDCQ receivable	108,808	1,733
Other	28,803	10,401
Trade accounts receivable from parent company	<u>16,822</u>	<u>16,822</u>
	<u>154,433</u>	<u>28,956</u>

5 - FIXED ASSETS, AT COST

	<u>2017</u>	<u>2016</u>
	\$	\$
Office equipment	8,707	8,707
Equipment and material	16,417	9,643
Computer equipment	<u>53,464</u>	<u>40,255</u>
	<u>78,588</u>	<u>58,605</u>

6 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	<u>2017</u>	<u>2016</u>
	\$	\$
Trade accounts	125,898	8,446
Deductions at source	<u>4,894</u>	<u>159</u>
	<u>130,792</u>	<u>8,605</u>

7 - FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Organization is exposed to various financial risks resulting from its operating, investing and financing activities. The Organization's management manages financial risks.

During the year, there were no changes to the financial instrument risk management policies, procedures and practices. The means used by the Organization to manage each of the financial risks are described in the following paragraphs.

Financial risks

The Organization's main financial risk exposure and its financial risk management policies are as follows.

Credit risk

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position. The Organization has determined that the financial assets with more credit risk exposure are trade and other receivables since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization.

The trade and other receivables balances are managed and analyzed on an ongoing basis and, accordingly, the Organization's exposure to doubtful accounts is not significant.

Gesgapegiag Human Resource Development Commission

Notes to Financial Statements

March 31, 2017

7 - FINANCIAL INSTRUMENTS (Continued)

The carrying amount on the statement of financial position of the Organization's financial assets exposed to credit risk represents the maximum amount exposed to credit risk. The following table summarizes the Organization's credit risk exposure:

	<u>2017</u>	<u>2016</u>
	\$	\$
Cash	226,057	2,690
Trade and other receivables	154,433	28,956
	<u>380,490</u>	<u>31,646</u>

The Organization's management considers that all the above financial assets that are not impaired or past due are of good credit quality.

None of the Organization's financial assets is secured by a collateral instrument or other form of credit enhancement.

There are impaired financial assets as at March 31, 2016. Travel advances receivable and other receivable are impaired in the amount of \$6,793 and \$6,507 respectively in 2016.

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Organization has financing sources for a sufficient authorized amount. The Organization establishes budget and cash estimates to ensure it has the necessary funds to fulfil its obligations.

As at March 31, 2017, the Organization's contractual maturities for financial liabilities (including any interest payments) are as follows:

	<u>Less than 6 months</u>	<u>6 months to 1 year</u>	<u>1 to 5 years</u>
	\$	\$	\$
Trade payables and other operating liabilities	130,792		
Due to Micmacs of Gesgapegiag Band		317,996	
	<u>130,792</u>	<u>317,996</u>	<u>-</u>

Gesgapegiag Human Resource Development Commission

Notes to Financial Statements

March 31, 2017

7 - FINANCIAL INSTRUMENTS (Continued)

Carrying amount of financial assets and liabilities by category

The Organization's financial assets and liabilities, as presented in the statement of financial position, are classified in the following category:

	<u>2017</u>	<u>2016</u>
	\$	\$
Financial assets measured at amortized cost		
Cash	226,057	2,690
Trade and other receivables	154,433	28,956
	<u>380,490</u>	<u>31,646</u>
Financial liabilities measured at amortized cost		
Trade payables and other operating liabilities	130,792	8,605
Due to Micmacs of Gesgapegiag Band, without interest	317,996	342,900
	<u>366,122</u>	<u>211,190</u>

8 - ECONOMIC DEPENDENCE

The Organization receives most of its funding from the First Nations Human Resources Development Commission of Quebec. This represents 63% of the revenues in 2017 (88% in 2016).

9 - RELATED PARTY TRANSACTIONS

During the year, the Organization received from Micmacs of Gesgapegiag Band contributions for an amount of \$170,419 (\$17,115 in 2016). The Organization also paid an amount of \$64,032 (\$139,040 in 2016) for the salaries of the projects participants.