

**Micmacs of Gesgapegiag Band
Consolidated Financial Statements
March 31, 2012**

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Independent Auditor's Report

Daniel Berthelot, CA
Michel Bernier, CA, M. Fisc.
Associés

To the Directors of
Micmacs of Gesgapegiag Band

Luc Audet, CA
Stéphane Gagné, CA, D. Fisc.
Luc Poirier, CA

We have audited the accompanying consolidated financial statements of Micmacs of Gesgapegiag Band, which comprise the consolidated statement of financial position as at March 31, 2012 and the consolidated statements of operations, operations and accumulated surplus (deficit) by program, changes in net debt, accumulated surplus (deficit), cash flows and schedule of salaries, honoraria, travel expenses and other remuneration for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated 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 consolidated 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.



Raymond Chabot Grant Thornton

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 Micmacs of Gesgapegiag Band as at March 31, 2012, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Raymond Chabot Grant Thornton LLP ¹

New Richmond
July 11, 2012

¹ CPA auditor, CA public accountancy permit no. A113171

Micmacs of Gesgapegiag Band
Consolidated Financial Position
 March 31, 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
Financial assets		
Term deposits, 1.25% (1.25% in 2011), maturing in June 2012	13,385	13,385
Accounts receivable (note 4)	1,604,506	1,990,823
Replacement Reserve (Note 5)	1,334	1,430
	<u>1,619,225</u>	<u>2,005,638</u>
Liabilities		
Bank overdraft	1,399,615	1,466,214
Bank loans (Note 7)	16,103	32,400
Accounts payable and accrued liabilities (Note 8)	2,558,508	2,387,005
Deferred revenues (Note 9)	459,842	6,340
Replacement reserve for medical transportation	65,496	65,496
Reserve for equipment replacement	51,707	51,707
Reserve for future training	24,600	24,600
Deferred contributions related to capital assets (Note 10)	6,326,680	5,747,999
Long-term debt (Note 11)	7,158,919	6,798,215
	<u>18,061,470</u>	<u>16,579,976</u>
Reserve funds		
Replacement Reserve (Note 5)	435,426	397,010
Operating Reserve (Note 12)	72,084	52,586
	<u>507,510</u>	<u>449,596</u>
Net debt	<u>(16,949,755)</u>	<u>(15,023,934)</u>
Non-financial assets		
Prepaid expenses	105,345	19,172
Capital assets (Note 6)	16,812,000	15,425,786
	<u>16,917,345</u>	<u>15,444,958</u>
Accumulated surplus (deficit)	<u>(32,410)</u>	<u>421,024</u>

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

On behalf of the Band,

Chief

Director of operations

Micmacs of Gesgapegiag Band
Consolidated Operations
Year ended March 31, 2012

	<u>Unaudited Budget</u>	<u>2012</u>	<u>2011</u>
	\$	\$	\$
Revenues			
AANDC Fixed Contribution	3,193,874	4,163,631	3,563,003
AANDC Set Contribution	1,979,624	2,116,639	3,221,252
AANDC Contribution receivable (payable)		(22,842)	228,206
Secretariat aux Affaires Autochtones		258,014	116,162
First Nations Education Council	156,111	435,027	414,782
Department of Fisheries and Oceans	93,316	358,426	558,954
Canada Mortgage and Housing Corporation	84,370	152,544	449,500
Health Canada	1,325,124	1,521,150	1,464,921
Sollicitor General of Canada		238,504	238,504
Ministre de la Sécurité publique	52,955	257,668	273,113
First Nation Forestry Program			33,990
First Nations of Quebec and Labrador Health and Social Services Commission		69,637	70,824
Ministère des Transports du Québec			16,211
Contribution from Micmacs Housing Corporation	26,201	26,201	24,516
Emploi Québec	117,720	116,466	125,429
Ministre des Ressources naturelles et de la faune du Québec	901,337	1,036,337	959,717
Welfare injection		90,918	137,856
First Nations Human Resources Development Commission of Quebec		390,475	390,499
Gesgapegiag Human Resource Development Commission	8,106	193,965	162,969
Gain (loss) on disposal of capital assets		(2,313)	
Other revenue	7,905	465,256	234,658
Administration revenues		19,527	30,532
Schrimp and crab sales		2,411,500	1,641,297
Wood sales		773,654	649,614
Excavation sales		246,818	
Rexforêt		212,960	227,785
Produits Forestiers Temrex			79,292
Firewood sales		15,186	
Reimbursement		320,715	283,798
Rental revenue	154,838	522,721	490,522
Interest revenue		95	
Community services		16,020	23,130
The Cascapedia Society	60,000	66,000	60,000
The Cascapedia Club	180,000	187,000	180,000
Transfer to replacement reserve		(45,633)	
Amortization of deferred contributions related to capital assets		758,447	739,231
Deferred revenue from previous years		6,340	170,094
Less: Deferred revenue		(459,842)	(6,340)
	<u>8,341,481</u>	<u>16,917,211</u>	<u>17,254,021</u>

Micmacs of Gesgapegiag Band
Consolidated Operations
Year ended March 31, 2012

	<u>Unaudited Budget</u>	<u>2012</u>	<u>2011</u>
	\$	\$	\$
Expenses			
Band government	638,227	2,466,725	2,512,655
Education		2,275,054	2,487,416
Social assistance	1,001,461	1,537,843	1,628,937
Health	1,731,285	2,427,602	2,423,970
Economic development		144,048	147,572
Community infrastructure		2,376,473	3,204,226
Fisheries	22,400	3,533,054	3,208,751
Recreation		53,607	51,390
Natural resources		1,141,679	1,096,162
Social housing		1,255,723	1,452,650
	<u>3,393,373</u>	<u>17,211,808</u>	<u>18,213,729</u>
Excess (deficiency) of revenues over expenses	<u>4,948,108</u>	<u>(294,597)</u>	<u>(959,708)</u>

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

**Micmacs of Gesgapegiag Band
Consolidated Operations and Accumulated Surplus (Deficit) by program**

Year ended March 31, 2012

	AANDC	Other	Total revenues	Total expenses	Transfers between programs	Excess (deficiency) of revenues over expenses	Adjusted accumulated surplus (deficit), beginning of year	Accumulated surplus (deficit), end of year
	\$	\$	\$	\$	\$	\$	\$	\$
01011 Band Support Funding	432,981	197,369	630,350	570,115		60,235	(625,061)	(564,826)
01016 Pension Plan Adm. Costs and Employer Contr. Seq. 2	2,325		2,325	2,325				
01016 Pension Plan Adm. Costs and Employer Contr. Seq. 1	36,791		36,791	36,953		(162)	(10,599)	(10,761)
01017 CPP/QPP and Private Pension Plan (before 01015)	165,321		165,321	165,321				
01845 Human Resources Management Governance Capacity Development	17,000		17,000	17,000			(210)	(210)
02057 Indian Registry Administrators	9,601		9,601	9,601			10,228	10,228
02105 Instructional Services Formula Seq. 2	83,950		83,950	83,950				
02105 Instructional Services Formula Seq. 1	444,243	1,396	445,639	467,527	24,550	2,662	355,569	358,231
02106 Administration - Instructional Services	7,700		7,700	7,700				
02107 Enhanced Teachers Salaries	24,550		24,550		(24,550)			
02110 Band Operated School - Evaluation	69,840		69,840	53,365		16,475		16,475
02125 Tuition Agreements	552,457		552,457	552,457			(178,266)	(178,266)
02126 Ancillary Support	16,450		16,450	14,740		1,710	23,170	24,880
02136 Student Accommodation - Federal Schools	9,155		9,155	6,220		2,935	2,431	5,366
02137 Student Transportation Services - Federal Schools	125,842	2,283	128,125	128,125			276,571	276,571
02138 Financial Assistance Allowances (All school types)	17,486		17,486	8,394		9,092	115,263	124,355
02139 Guidance and Counselling	55,208		55,208	52,128		3,080	67,777	70,857

**Micmacs of Gesgapegiag Band
Consolidated Operations and Accumulated Surplus (Deficit) by program**

Year ended March 31, 2012

	AANDC	Other	Total revenues	Total expenses	Transfers between programs	Excess (deficiency) of revenues over expenses	Adjusted accumulated surplus (deficit), beginning of year	Accumulated surplus (deficit), end of year
	\$	\$	\$	\$	\$	\$	\$	\$
02140 Advice and Assistance, Provincial Schools	74,167	941	75,108	24,847		50,261	24,150	74,411
02234 Band Operated School - Special Education		201,627	201,627	201,627			(16,515)	(16,515)
02250 Provincial School - Direct Services	10,296		10,296	10,296			32,980	32,980
02270 Post-Secondary Student Support Program	441,610	2,640	444,250	439,083		5,167	(93,007)	(87,840)
02280 Indian and Inuit Cultural/Education Centres	12,745		12,745	12,745			(25,969)	(25,969)
02305 Basic Needs	662,759	49,283	712,042	712,042			(161,489)	(161,489)
02308 Social Assistance for Employment and Training	116,844		116,844	116,844			(3,970)	(3,970)
02320 Special Needs	6,645		6,645	6,645			(9,312)	(9,312)
02330 Service Delivery	42,840		42,840	40,369		2,471	34,083	36,554
02371 Maintenance - Foster Homes							(10,514)	(10,514)
02372 Maintenance - Group Homes							(57,104)	(57,104)
02373 Operations - CFS							40,720	40,720
02373 Operations - CFS (before 02490)	248,934	5,477	254,411	293,228		(38,817)		(38,817)
02383 Enhanced Prevention-Foster Homes (before 02492)	516,258	(199,121)	317,137	317,137				
02384 Enhanced Prevention-Group Homes (before 02493)	163,261	(112,738)	50,523	50,523			(13,152)	(13,152)
02388 CEAP - Operations (before 02497)	321,942	(27,658)	294,284	294,284			(9,322)	(9,322)
02395 In-Home Care	200,000		200,000	188,430		11,570	(237,060)	(225,490)
02396 Institutional - Type I	10,000		10,000	19,204		(9,204)	(28,483)	(37,687)
02398 Foster Care	250,000	(13,764)	236,236	236,236			(3,879)	(3,879)

**Micmacs of Gesgapeagi Band
Consolidated Operations and Accumulated Surplus (Deficit) by program**

Year ended March 31, 2012

	AANDC	Other	Total revenues	Total expenses	Transfers between programs	Excess (deficiency) of revenues over expenses	Adjusted accumulated surplus (deficit), beginning of year	Accumulated surplus (deficit), end of year
	\$	\$	\$	\$	\$	\$	\$	\$
02399 Service Delivery	51,259		51,259	57,158		(5,899)	1,744	(4,155)
02402 Disabled	1,536		1,536	1,536			(8,817)	(8,817)
02420 Prevention Projects	12,806		12,806	12,806			3,845	3,845
02440 National Child Benefit Re-investment	93,389		93,389	67,728	(25,661)		(32,456)	(32,456)
04541 Water (under 1.5M) QD88							(66,176)	(66,176)
04746 CEAP - Renovations for Health and Safety Seq. 2							(16,921)	(16,921)
04748 CEAP - Conversions to Market Based Housing							(45,757)	(45,757)
08110 Community Economic Development Program (before 04935)	100,121	5,657	105,778	144,047	38,269		41,191	41,191
08200 Land Management - RLAP (before 03215)	13,610		13,610	27,260		(13,650)	(30,857)	(44,507)
08565 Wastewater Systems (before 04550)	56,877	5,340	62,217	123,436		(61,219)	(353,485)	(414,704)
08566 Water Systems (before 04551)	50,692	10,680	61,372	61,363		9	(132,637)	(132,628)
08593 Sewer (under \$1.5M) QL57 (before 04583)	11,252		11,252	11,578		(326)		(326)
08627 Renovations and/or Additions QL33 (before 04354)	350,000	1,839	351,839	351,839			(11,656)	(11,656)
08635 Schools - O&M (before 04355)	118,186		118,186	113,172		5,014	82,468	87,482
08681 Planning Design and Construction QD88 (before 04391)	24,000		24,000		(24,000)			
08691 Housing Councils (before 04396)	12,800	28,251	41,051	44,662		(3,611)	(10,450)	(14,061)

**Micmacs of Gesgapegiag Band
Consolidated Operations and Accumulated Surplus (Deficit) by program**

Year ended March 31, 2012

	AANDC	Other	Total revenues	Total expenses	Transfers between programs	Excess (deficiency) of revenues over expenses	Adjusted accumulated surplus (deficit), beginning of year	Accumulated surplus (deficit), end of year
	\$	\$	\$	\$	\$	\$	\$	\$
08694 Management Support (before 04399)	1,200		1,200	1,200			3,225	3,225
08745 Fire Protection (before 04665)	12,800		12,800			12,800	12,800	25,600
08754 Contributions - Equipment QD88 (before 04674)	30,000		30,000	4,836	(25,164)		(168,399)	(168,399)
08766 Fire Protection (before 04686)	27,281		27,281	46,511	19,230		6,468	6,468
08767 Roads and Bridges (before 04687)	24,699		24,699	56,022		(31,323)	(83,344)	(114,667)
08770 Community Buildings (before 04690)	22,317		22,317	22,413		(96)	36,155	36,059
08773 Training - Fire Protection (before 04693)	12,300		12,300	7,070		5,230	9,354	14,584
08774 Maintenance Management (before 04694)	29,355		29,355	43,690		(14,335)	(190,303)	(204,638)
08779 Solid Waste (before 04699)	8,907		8,907	8,954		(47)	(8,917)	(8,964)
08805 Community Capital Facilities (before 04715)	42,840		42,840	42,840			212,778	212,778
10000 NIHB/MT		208,284	208,284	260,988	15,300	(37,404)	(150,152)	(187,556)
10001 Community Health Representative							337	337
10003 NNADAP		54,176	54,176	47,311		6,865	138	7,003
10005 AHSOR		65,717	65,717	59,568		6,149	12,925	19,074
10006 BF		68,602	68,602	31,058		37,544	5,005	42,549
10007 HIV/AIDS		6,000	6,000	16,683		(10,683)	(617)	(11,300)
10008 MCH		37,086	37,086	33,941		3,145	(289)	2,856
10010 ADI		58,706	58,706	90,911		(32,205)	(13,331)	(45,536)
10011 BHC/MH		86,784	86,784	37,335		49,449	(563)	48,886
10012 BHC/SAP		10,093	10,093			10,093		10,093
10013 CPNP		14,734	14,734			14,734		14,734

Micmacs of Gesgapegiag Band
Consolidated Operations and Accumulated Surplus (Deficit) by program

Year ended March 31, 2012

	AANDC	Other	Total revenues	Total expenses	Transfers between programs	Excess (deficiency) of revenues over expenses	Adjusted accumulated surplus (deficit), beginning of year	Accumulated surplus (deficit), end of year
	\$	\$	\$	\$	\$	\$	\$	\$
47000 Community Cultural & Recreative (Teepee)							(10,121)	(10,121)
50050 Daycare Center Rent		82,057	82,057	77,411		4,646	(122,216)	(117,570)
60000 Mid-shore Fisheries		2,351,494	2,351,494	1,428,495	(53,733)	869,266	8,995,019	9,864,285
60005 Fisheries Training C4		97,826	97,826	122,545		(24,719)	(48,942)	(73,661)
60006 Natural Resources Administration		305,245	305,245	353,378	48,133		(590,271)	(590,271)
60020 Mussel/ Fishies Feasibility Study		69,281	69,281	69,281			8,500	8,500
60030 AICFI / AARROM		5,169	5,169	5,169			22,519	22,519
60032 Off-shore Mentoring		16,800	16,800	22,400	5,600			
60034 Wheelhouse Mentoring		90,223	90,223	67,835		22,388	141,535	163,923
60036 Communal Fisheries							33,677	33,677
60038 Lobster Boat Lease								
61000 FNEC New Paths (Gathering Strength)	26,633	26,633	26,633	26,633			(6,343)	(6,343)
61001 Career Promotion	1,464	1,464	1,464	1,500		(36)	(3,617)	(3,653)
61002 Youth Employment	7,766	7,766	7,766		(7,766)		(17)	(17)
61003 Science and Technology	3,627	3,627	3,627	4,055		(428)	1,261	833
61005 FNSSP Student success	147,131	147,131	147,131	148,637		(1,506)	5,754	4,248
61007 Parental Involvement	17,638	17,638	17,638	17,741		(103)	(9,524)	(9,627)
61008 Professional Development	7,212	7,212	7,212	6,284		928	(3,609)	(2,681)
61010 Secondary School Tutoring							(1,774)	(1,774)
61011 FNEC/DSSLP	7,000	7,000	7,000	7,000			(1,750)	(1,750)
62000 Cascadia Society	273,013	273,013	273,013	271,005		2,008	(18,392)	(16,384)
65000 Summer Student Coordination	11,036	11,036	11,036	103,863	92,827		1,329	1,329
65500 Summer Camp							(6,681)	(6,681)
65600 Cancer Fundraiser				123		(123)	839	716
65700 Probation Officer	37,510	37,510	37,510	37,510			(13,895)	(13,895)

Micmacs of Gesgapegiag Band
Consolidated Operations and Accumulated Surplus (Deficit) by program
 Year ended March 31, 2012

	AANDC	Other	Total revenues	Total expenses	Transfers between programs	Excess (deficiency) of revenues over expenses	Adjusted accumulated surplus (deficit), beginning of year	Accumulated surplus (deficit), end of year
	\$	\$	\$	\$	\$	\$	\$	\$
66600 Fish Profits from Previous Years				310,780	(339,689)	(650,469)	(4,792,842)	(5,443,311)
68500 Organic Farming Operations							(193,063)	(193,063)
70999 Forestry General	800,355	800,355	800,355	703,589	(18,675)	78,091	294,447	372,538
71000 Forestry Training	58,709	58,709	58,709	111,282	18,675	(33,898)	(37,797)	(71,695)
72000 Production/Forestry	155,150	155,150	155,150	199,844	(44,694)	(44,694)	(23,819)	(68,513)
72500 Firewood	55,186	55,186	55,186	56,424	11,974	10,736	(80,545)	(69,809)
73000 Baldwin & Lake St Anne Project	76,445	76,445	76,445	70,538		5,907	(23,948)	(18,041)
80000 Elections				41,371	41,371		(666)	(666)
81000 School Roof							(39,320)	(39,320)
90001 Housing Inspection							(142)	(142)
90002 AANDC Repair								
90005 Residential Rehabilitation Assistance Program	2,511	2,511	2,511	165,713	25,164	(138,038)		
90006 Youth Initiative Program	19,068	19,068	19,068	66,322		(47,254)	(27,482)	(74,736)
90007 Construction Art. 95 2009-2010	7,718	7,718	7,718	7,928		(210)	(27,068)	(27,278)
90008 Band Repair (BMO)							(70,227)	(70,227)
90013 Elder's Lodge							(445,679)	(445,679)
90014 Duplex 13A&B	189,500	189,500	189,500	210,242		(20,742)	6,050	6,050
90015 Emergency repairs old 30 Usgewinug Street RJ Repairs				44,565	44,565		(51,529)	(51,529)
90016 94 School Street AJ Fire Repairs							382	382
90019 Construction Lentuk Street				29,212	29,212			
90021 Main Street JFG							(2,190)	(2,190)
90023 Gravel Pit				7,980	7,980			
90030 Lot Servicing Start-up Initiative							(41,855)	(41,855)

**Micmacs of Gesgapegiag Band
Consolidated Operations and Accumulated Surplus (Deficit) by program**

Year ended March 31, 2012

	AANDC	Other	Total revenues	Total expenses	Transfers between programs	Excess (deficiency) of revenues over expenses	Adjusted accumulated surplus (deficit), beginning of year	Accumulated surplus (deficit), end of year
	\$	\$	\$	\$	\$	\$	\$	\$
90095 Duplexes							7,518	7,518
90105 Policing Services	458,672	458,672	458,672	459,589	7,500	6,583	(394,268)	(387,685)
90106 Police Tickets	6,727	6,727	6,727	563		6,164	6,663	12,827
91025 Rod Lease	25,000	25,000	25,000		(25,000)			
91030 Communities Elders Project	24,300	24,300	24,300	25,337	1,037		(14,648)	(14,648)
92000 Pastoral Agent	2,333	2,333	2,333	2,333				
98000 Habitation Enhancement	176,112	176,112	176,112	185,945		(9,833)	(5,666)	(15,499)
99000 C-31 & Band Owned	3,226	3,226	3,226	21,534		(18,308)	(195,265)	(213,573)
99001 Mortgage Payments	61,933	61,933	61,933	70,377	8,444		(1,021,041)	(1,021,041)
99002 GHRDC Project	47,918	47,918	47,918	54,638	6,720		(666)	(666)
99003 GHRDC Hospitality Training	83,138	83,138	83,138	86,464	3,326		(32,716)	(32,716)
99004 Basket Course	23,477	23,477	23,477	23,477			2,777	2,777
99006 Lunch Program	758,447	758,447	758,447	65,338	65,338		(11,833)	(11,833)
99990 Amortization of capital assets	370,727	370,727	370,727	984,709		(226,262)	(3,252,439)	(3,478,701)
Micmacs Housing Corporation				453,882		(83,155)	(1,295,082)	(1,378,237)
Gesgapegiag Human Resource Development Commission	394,847	394,847	394,847	393,652		1,195	(134,854)	(133,659)
9252-9106 Québec Inc.	246,818	246,818	246,818	334,791		(87,973)	67,785	(87,973)
Gesgapegiag Natural Resources Inc.							5,886,177	67,785
Discontinued projects						(294,597)	262,187	5,886,177
	6,257,428	10,659,783	16,917,211	17,211,808		(294,597)	262,187	(32,410)

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

Micmacs of Gesgapegiag Band
Consolidated Changes in Net Debt
Year ended March 31, 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
Deficiency of revenues over	(294,597)	(959,708)
Adjustment to prior years (Note 15)	(158,837)	(79,884)
	<u>(453,434)</u>	<u>(1,039,592)</u>
Acquisition of capital assets	(2,684,882)	(1,975,243)
Amortization of capital assets	1,233,355	1,187,687
Gain on disposal of capital assets	2,313	
Disposal of capital assets	63,000	
	<u>(1,839,648)</u>	<u>(1,827,148)</u>
Prepaid expenses used	(86,173)	42,818
Changes in net debt	(1,925,821)	(1,784,330)
Net debt, beginning of year	(15,023,934)	(13,239,604)
Net debt, end of year	<u>(16,949,755)</u>	<u>(15,023,934)</u>

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

Micmacs of Gesgapegiag Band
Consolidated Accumulated Surplus
 Year ended March 31, 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
Balance, beginning of year	421,024	1,460,616
Adjustment to prior years (Note 15)	(158,837)	(79,884)
Adjusted balance, beginning of year	<u>262,187</u>	<u>1,380,732</u>
Deficiency of revenues over	(294,597)	(959,708)
Balance, end of year	<u><u>(32,410)</u></u>	<u><u>421,024</u></u>

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

Micmacs of Gesgapegiag Band
Consolidated Cash Flows
Year ended March 31, 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	(294,597)	(959,708)
Adjustment to prior years	(158,837)	(79,884)
Adjustments as required by C.M.H.C.	19,498	13,264
Non-cash items		
Amortization of capital assets	1,233,355	1,187,687
Amortization of deferred contributions related to capital assets	(758,447)	(739,231)
Loss on disposal of capital assets	2,313	
Transfer to the replacement reserve fund for the year	38,416	36,000
Changes in working capital items		
Accounts receivable	386,317	1,107,623
Prepaid expenses	(86,173)	42,818
Accounts payable and accrued liabilities	171,503	734,246
Deferred revenues	453,502	(163,754)
Net cash generated	<u>1,006,850</u>	<u>1,179,061</u>
INVESTING ACTIVITIES		
Restricted cash - Replacement Reserve Fund	96	84
Acquisition of capital assets	(2,684,882)	(1,975,243)
Disposal of capital assets	63,000	
Net cash used	<u>(2,621,786)</u>	<u>(1,975,159)</u>
FINANCING ACTIVITIES		
Bank loans	(16,297)	(608,064)
Deferred contributions related to capital assets	1,337,128	275,039
Long-term loans	2,071,768	2,804,162
Repayment of long-term loans	(1,711,064)	(1,442,499)
Net cash generated	<u>1,681,535</u>	<u>1,028,638</u>
Net increase in cash and cash equivalents	66,599	232,540
Bank overdraft, beginning of year	(1,466,214)	(1,698,754)
Bank overdraft, end of year	<u>(1,399,615)</u>	<u>(1,466,214)</u>

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

Micmacs of Gesgapegiag Band
Notes to Consolidated Financial Statements
March 31, 2012

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Organization is governed by the council of the Mi'gmaq of Gesgapegiag. It is a not-for-profit Organization under the Income Tax Act.

2 - GOING CONCERN ASSUMPTION

The financial statements are prepared in accordance with Canadian public sector accounting principles, 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 Aboriginal Affairs and Northern Development Canada. The Organization's management has adopted an expense rationalization plan to address the situation.

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

Financial statements

The financial statements are prepared in accordance with generally accepted accounting principles for government entities as defined in the CICA Public Sector Accounting and Auditing Handbook.

Principles of consolidation

These financial statements include the accounts of the Organization and its wholly-owned subsidiaries: Micmacs Housing Corporation, Gesgapegiag Human Resource Development Commission, 9252-910 Québec Inc. and Gesgapegiag Natural Resources Inc.

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific department, transactions amongst departments have not necessarily been eliminated on the individual schedules.

Basis of presentation

The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

Micmacs of Gesgapegiag Band
Notes to Consolidated Financial Statements
March 31, 2012

3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting estimates

The preparation of financial statements in accordance with Canadian public sector accounting principle requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. The 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 those estimates.

Revenue recognition

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.

Restricted interest income is recognized as revenue in the year the related expenses are incurred and unrestricted interest income as earned.

The Organization recognizes its revenues when persuasive evidence of an arrangement exists, delivery has occurred, that is, the customer has taken possession of the household items, the price to the buyer is fixed or determinable and collection is reasonably assured.

The Organization records base rents on a straight-line basis over the lease terms. The excess of rent recognized over amounts contractually due pursuant to the underlying leases is included in rent receivable on the balance sheet.

Cash and cash equivalents

The Organization's policy is to present cash and temporary investments having a term of three months or less from the acquisition date with cash and cash equivalents.

Capital assets

Capital assets acquired are recorded at cost.

For the housing units - Article 95, capital assets are accounted at the cost of acquisition less any subsidies received for the capital assets. C.M.H.C. permits amortization for buildings purchased using loans that it has insured, at a rate equal to the annual reduction of the principal on the loans. No amortization is allocated to other capital elements, but a replacement reserve is maintained for future replacement of capital assets.

The replacement reserve account is funded through an annual allocation, as opposed to allocation of surplus.

Micmacs of Gesgapegiag Band
Notes to Consolidated Financial Statements
 March 31, 2012

3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets are amortized on a straight-line basis over their estimated useful lives at the following annual rates:

	<u>Rate</u>
Buildings	20 year
Sanitation system	20 year
Automotive equipment	5 year
Material and equipment	5 year
Roads	20 year

Contributions related to capital assets are deferred and gradually amortized to earnings on the same basis as the related capital assets.

Trust funds

The Organization's Trust funds are included in these financial statements only to the extent they have been received from the Organization's revenue trust fund. The amounts on deposit with the Government of Canada are audited by the Auditor General of Canada.

Adjustment to prior years

Adjustments affecting prior years, usually resulting from the Regional Audit Review Committee and C.M.H.C., are recorded in the consolidated accumulated surplus statement.

4 - ACCOUNTS RECEIVABLE

	<u>2012</u>	<u>2011</u>
	\$	\$
Accounts receivable	226,051	236,978
Contributions receivable AANDC	333,231	629,039
Contributions receivable	867,179	907,010
Rents receivable	1,478,937	1,352,837
Advances	28,164	39,623
Consumption taxes receivable	205,108	176,776
	<u>3,138,670</u>	<u>3,342,263</u>
Allowance for doubtful accounts	<u>(1,534,164)</u>	<u>(1,351,440)</u>
	<u><u>1,604,506</u></u>	<u><u>1,990,823</u></u>

Micmacs of Gesgapegiag Band
Notes to Consolidated Financial Statements
 March 31, 2012

5 - REPLACEMENT RESERVE FUND

(a) Pre-1997 Program

Under the agreement with Canada Mortgage and Housing Corporation (C.M.H.C.), an amount must be credited to the replacement reserve. These funds and the accrued interest must be placed in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or in any other way approved by C.M.H.C. from time to time. Any use of the funds from the account must be approved by C.M.H.C.

(b) Post-1996 Program

Under the agreement with Canada Mortgage and Housing Corporation (C.M.H.C.), an amount set forth in Appendix B of the operating agreement must be credited to the replacement reserve. The annual amount may be increased by the First Nation. These funds and the accrued interest must be placed in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or in any other way approved by C.M.H.C. from time to time.

At the year end, the replacement reserve included the following elements:

Restricted cash

	<u>2012</u>	<u>2011</u>
	\$	
Cash	<u>1,334</u>	<u>1,430</u>

Reserve fund

	<u>2012</u>	<u>2011</u>
	\$	
Balance, beginning of year	397,010	361,010
Allocation for the year	38,416	36,000
Balance, end of year	<u>435,426</u>	<u>397,010</u>

No amount was transferred to the replacement reserve fund in 2012.

As at March 31, 2012, the Organization does not respect the obligation to hold these funds in a separate bank account.

Micmacs of Gesgapegiag Band
Notes to Consolidated Financial Statements
 March 31, 2012

6 - CAPITAL ASSETS

	<u>2012</u>		<u>2011</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>
	\$	\$	Net carrying amount
Land	133,592		38,217
Buildings	20,389,574	7,049,200	13,104,504
Sanitation system	6,984,108	4,862,691	1,438,790
Automotive equipment	1,923,146	1,230,777	595,478
Material and equipment	885,747	821,812	91,487
Roads	468,179	7,866	157,310
	<u>30,784,346</u>	<u>13,972,346</u>	<u>16,812,000</u>
			<u>15,425,786</u>

7 - BANK LOANS

The bank loans, for which the authorized amounts are \$100,000 and \$1,150,000, bear interest at prime rate (3%) and prime rate plus 1.75% (4.75%) respectively, are secured by the accounts receivable and mortgage on amounts receivable from Health Canada and are renegotiable annually.

8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2012</u>	<u>2011</u>
	\$	
Accounts payable	2,202,556	2,137,046
Salaries and deductions at source payable	335,443	240,709
Accrued interest	20,509	9,250
	<u>2,558,508</u>	<u>2,387,005</u>

9 - DEFERRED REVENUES

	<u>2012</u>	<u>2011</u>
	\$	
02383 Enhanced Prevention - Foster Homes (before 02492)	199,121	
02384 Enhanced Prevention - Group Homes (before 02493)	112,738	
02388 CEAP - Operations (before 02497)	46,268	
02398 Foster Care	13,764	
08627 Renovations and/or Additions QL33 (before 04354)	41,107	
10091 Healing Lodge - Furniture	45,669	
30000 Ballfield Repair	1,175	6,340
	<u>459,842</u>	<u>6,340</u>

Micmacs of Gesgapegiag Band
Notes to Consolidated Financial Statements
 March 31, 2012

10 - DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	<u>2012</u>	<u>2011</u>
	\$	
Balance, beginning of year	5,747,999	6,212,197
AANDC		
08582 Wastewater (under \$1.5M) QL57	1,000,000	
08682 Major Renovations , Extensions and Repairs QD88 Seq. 1	167,000	
08748 Roads and Bridges QD88	100,000	
Welfare injection	22,806	16,284
Gesgapegiag Human Resource Development Commission	1,689	
Secretariat aux Affaires Autochtones		258,758
Health Canada	45,633	
Amortization	(758,447)	(739,237)
Balance, end of year	<u>6,326,680</u>	<u>5,747,999</u>

Micmacs of Gesgapegiag Band
Notes to Consolidated Financial Statements
 March 31, 2012

11 - LONG-TERM DEBT

	<u>Current portion</u> \$	<u>2012</u> \$	<u>2011</u> \$
Bank of Montreal, prime rate plus 2.125% (5.125%), payable by monthly instalments of \$833, plus interest, maturing in February 2014	7,344	14,076	21,420
Bank of Montreal, prime rate plus 1.75 % (4.75%), reimbursed during the year			5,834
Bank of Montreal, secured by AANDC, prime rate plus 1.25% (4.25%), payable in monthly instalments of \$556, plus interest, maturing in June 2012	1,667	1,667	8,333
Bank of Montreal, prime rate plus 1.5% (4.5%), payable in monthly instalments of \$5,744, plus interest, maturing in November 2012	40,208	40,208	109,137
Bank of Montreal, prime rate plus 2.125% (5.125%), reimbursed during the year			45,462
Bank of Montreal, prime rate plus 2.125% (5.125%), payable in monthly instalments of \$6,667, plus interest, maturing in February 2014	80,000	153,334	233,334
Bank of Montreal, 7.15%, secured by 4 housing units and by AANDC, payable in monthly instalments of \$2,697, capital and interest, maturing in May 2033	6,448	356,784	363,871
Bank of Montreal, 7.2%, secured by SAA, payable in semi-annual instalments of \$59,388, capital and interest, maturing in January 2015	95,368	307,511	396,686
Bank of Montreal, prime rate plus 1.5% (4.5%), payable in monthly instalments of \$1,111, plus interest, maturing in February 2020	13,333	105,556	118,889
Bank of Montreal, 6%, payable in monthly instalments of \$2,277, capital and interest, maturing in December 2018 but renegotiable in December 2015	12,705	251,854	261,512
Bank of Montreal, 7.2%, secured by 1 quadruplex and by AANDC, payable in monthly instalments of \$1,996, capital and interest, maturing in July 2033	4,729	262,843	268,047

Micmacs of Gesgapegiag Band
Notes to Consolidated Financial Statements
 March 31, 2012

11 - LONG-TERM DEBT (Continued)

	<u>Current portion</u> \$	<u>2012</u> \$	<u>2011</u>
Bank of Montreal, 6.7%, secured by duplexes and by AANDC, payable in monthly instalments of \$4,092, capital and interest, maturing in April 2034	11,057	566,074	577,546
Bank of Montreal, prime rate plus 1.75 % (4.75%), reimbursed during the year			11,550
Bank of Montreal, 6%, payable in monthly instalments of \$1,329, capital and interest, maturing in March 2017	11,434	66,358	76,051
Laurentian Bank, 6.507%, payable in monthly instalments of \$243, capital and interest, maturing in October 2032 but renegotiable in December 2012	790	32,894	33,672
Laurentian Bank, 7.4%, payable in monthly instalments of \$348, capital and interest, maturing in October 2033 but renegotiable in February 2013	880	44,781	45,659
Bank of Montreal, prime rate plus 2.5% (5.5%), payable in monthly instalments of \$2,517, plus interest, maturing in November 2015	30,205	113,244	140,932
Bank of Montreal, prime rate plus 2.5% (5.5%), payable in monthly instalments of \$6,667, plus interest, maturing in March 2015	80,000	240,000	320,000
Bank of Montreal, prime rate plus 2.125% (5.125%), payable on demand	406,425	406,425	157,310
Bank of Montreal, prime rate plus 2.5% (5.5%), reimbursed during the year			17,340
Bank of Montreal, prime rate plus 2.5% (5.5%), reimbursed during the year			191,122
Bank of Montreal, prime rate plus 2.5% (5.5%), payable in monthly instalments of \$4,050, plus interest, maturing in December 2015	48,600	186,300	230,850
Bank of Montreal, prime rate plus 2.5% (5.5%), reimbursed during the year			164,069

Micmacs of Gesgapegiag Band
Notes to Consolidated Financial Statements
 March 31, 2012

11 - LONG-TERM DEBT (Continued)

	<u>Current portion</u> \$	<u>2012</u> \$	<u>2011</u> \$
Laurentian Bank, 4.29%, payable in monthly instalments of \$467, capital and interest, maturing in October 2031 but renegotiable in July 2016	2,825	66,321	68,755
Bank of Montreal, prime rate plus 2.5% (5.5%), payable in monthly instalments of \$544, plus interest, maturing in January 2017	6,525	31,538	
Bank of Montreal, prime rate plus 2.125% (5.125%), payable on demand, maturing in October 2012	166,644	166,644	
Canada Mortgage and Housing Corporation forgivable loan, without interest, forgiveness earned of \$11,110 yearly, maturing in March 2027	11,110	166,644	
Canada Mortgage and Housing Corporation forgivable loan, without interest, forgiveness earned of \$11,720 yearly, maturing in March 2027	11,720	113,321	
Bank of Montreal, prime rate plus 2.5% (5.5%), payable in monthly instalments of \$1,039, plus interest, maturing in February 2017	12,463	61,275	
Bank of Montreal, prime rate plus 2.5% (5.5%), payable in monthly instalments of \$1,333, plus interest, maturing in January 2017	16,000	77,333	
Bank of Montreal, 5.35%, payable in monthly instalments of \$3,150, capital and interest, maturing in February 2017	37,796	450,404	
Project # 5, National Bank of Canada, mortgage, original amount of \$55,000, 4.65%, reimbursed during the year			2,455
Project # 6, National Bank of Canada, mortgage, original amount of \$143,980, secured by 5 housing units and by AANDC, 7.55%, payable in monthly instalments of \$1,179, capital and interest, maturing in February 2013	12,444	12,444	28,107

Micmacs of Gesgapegiag Band
Notes to Consolidated Financial Statements
 March 31, 2012

11 - LONG-TERM DEBT (Continued)

	Current portion	2012	2011
	\$	\$	
Project # 7, Laurentian Bank, mortgage, original amount of \$321,114, secured by 6 housing units and by AANDC, 7.4%, payable in monthly instalments of \$2,400, capital and interest, maturing in March 2017 but renegotiable in November 2012	110,181	110,181	130,153
Project # 8, National Bank of Canada, mortgage, original amount of \$267,830, secured by 5 housing units and by AANDC, 5.99%, payable in monthly instalments of \$1,888, capital and interest, maturing in January 2018 but renegotiable in March 2015	16,396	114,198	133,312
Project # 9, Laurentian Bank, mortgage, original amount of \$230,850, secured by 5 housing units and by AANDC, 6.1%, payable in monthly instalments of \$1,679, capital and interest, maturing in June 2016 but renegotiable in April 2015	16,493	67,429	83,004
Project # 10, Caisse populaire, mortgage, original amount of \$104,800, secured by 2 housing units and by the C.M.H.C., 7.046%, payable in monthly instalments of \$723, capital and interest, maturing in September 2022 but renegotiable in September 2017	4,465	64,374	68,330
Project # 11, Bank of Montreal, mortgage, authorized amount of \$141,910, secured by 3 housing units and by AANDC, 7.15%, payable in monthly instalments of \$988, capital and interest, maturing in December 2022 but renegotiable in December 2017	5,622	89,649	95,031
Project # 12, C.M.H.C., mortgage (19-072-495/001), authorized amount of \$70,000, secured by 2 housing units and 1 duplex, 1.81%, payable in monthly instalments of \$315, capital and interest, maturing in March 2024 but renegotiable in April 2014	3,070	40,798	43,814
Project # 13, C.M.H.C., mortgage (19-072-495/002), authorized amount of \$87,500, secured by 3 housing units and 1 duplex, 2.69%, payable in monthly instalments of \$430, capital and interest, maturing in May 2025 but renegotiable in August 2015	3,666	57,224	60,795

Micmacs of Gesgapegiag Band
Notes to Consolidated Financial Statements
 March 31, 2012

11 - LONG-TERM DEBT (Continued)

	<u>Current portion</u> \$	<u>2012</u> \$	<u>201</u>
Project # 14, C.M.H.C., mortgage (19-072-495/003), authorized amount of \$129,000, secured by 4 housing units, 2.65%, payable in monthly instalments of \$631, capital and interest, maturing in April 2026 but renegotiable in April 2016	5,276	88,997	94,089
Project # 15, C.M.H.C., mortgage (19-072-495/004), authorized amount of \$187,395, secured by 5 housing units, 1.67%, payable in monthly instalments of \$867, capital and interest, maturing in April 2027 but renegotiable in April 2017	8,150	138,692	145,091
Project # 16, C.M.H.C., mortgage (19-072-495/005), authorized amount of \$92,538, secured by 3 housing units, 3.9%, payable in monthly instalments of \$482, capital and interest, maturing in February 2028 but renegotiable in March 2013	68,689	68,689	71,747
Project # 17, C.M.H.C., mortgage (19-072-495/006), authorized amount of \$62,000, secured by 2 duplexes, 2.76%, payable in monthly instalments of \$289, capital and interest, maturing in June 2030 but renegotiable in June 2015	2,125	49,824	51,896
Project # 17, C.M.H.C., mortgage (19-072-495/007), authorized amount of \$65,000, secured by 2 duplexes, 2.76%, payable in monthly instalments of \$303, capital and interest, maturing in June 2030 but renegotiable in June 2015	2,167	52,235	54,407
Project # 18, C.M.H.C., mortgage (19-072-495/008), authorized amount of \$253,800, secured by a sixplex, 2.63%, payable in monthly instalments of \$1,225, capital and interest, maturing in March 2031 but renegotiable in April 2016	9,203	213,093	221,691
Project # 19, C.M.H.C., mortgage (19-072-495/009), authorized amount of \$172,000, secured by 2 duplexes, 4.3%, payable in monthly instalments of \$933, capital and interest, maturing in April 2032 but renegotiable in June 2012	149,594	149,594	154,289

Micmacs of Gesgapegiag Band
Notes to Consolidated Financial Statements
 March 31, 2012

11 - LONG-TERM DEBT (Continued)

	<u>Current portion</u> \$	<u>2012</u> \$	<u>2011</u>
Project # 20, C.M.H.C., mortgage (19-072-495/010), authorized amount of \$104,000, secured by 1 quadruplex, 3.7%, payable in monthly instalments of \$530, capital and interest, maturing in May 2033 but renegotiable in June 2013	2,959	93,264	96,230
Project # 21, C.M.H.C., mortgage (19-072-495/011), authorized amount of \$120,600, secured by 1 duplex, 2.61%, payable in monthly instalments of \$581, capital and interest, maturing in September 2032 but renegotiable in September 2014	4,138	110,353	114,390
Project # 22, C.M.H.C., mortgage (19-072-495/012), authorized amount of \$189,500, secured by 1 quadruplex, 2.4%, payable in monthly instalments of \$839, capital and interest, maturing in October 2035 but renegotiable in October 2015	5,780	180,892	168,394
Project # 23, C.M.H.C., mortgage (19-072-495/013), authorized amount of \$1,200,000, secured by 10 housing units, 1.67%, payable in monthly instalments of \$4,892, capital and interest, maturing in March 2037 but renegotiable in April 2017	38,966	1,080,000	1,020,000
Project # 24, C.M.H.C., mortgage (19-072-495/014), authorized amount of \$104,000, secured by 1 housing unit, 1.67%, payable in monthly instalments of \$424, capital and interest, maturing in March 2037 but renegotiable in April 2017	3,377	93,600	93,600
	<u>1,589,037</u>	<u>7,158,919</u>	<u>6,798,214</u>

The instalments on long-term debt for the next five years are \$1,589,037 in 2013, \$641,148 in 2014, \$576,907 in 2015, \$383,739 in 2016 and \$337,388 in 2017.

Micmacs of Gesgapegiag Band
Notes to Consolidated Financial Statements
 March 31, 2012

12 - OPERATING RESERVE (Post-1996 Program)

Once all costs and expenses are paid, particularly the allocation to the replacement reserve, the First Nation keeps all excess income in an operating reserve. The First Nation agrees to keep the funds and accrue interest in the operating fund in a separate bank account or to invest it only in accounts or instrument insured by the Canada Deposit Insurance Corporation, or as agreed by common consent by the First Nation and Canada Mortgage and Housing Corporation. The housing project's operating reserve is to be used only for the operating expenses of housing projects that made undertakings as part of the 1997 On-reserve Housing Program. The reserve may be used to cover deficits from previous years. Withdrawals are first applied to interest, then to the principal. At the end of the fiscal year, the operating reserve included the following elements:

Reserve fund

	<u>2012</u>	<u>2011</u>
	\$	
Balance, beginning of year	52,586	39,322
Adjustments as required by C.M.H.C.	19,498	13,264
	<u>72,084</u>	<u>52,586</u>

As at March 31, 2012, the Organization does not respect the obligation to hold these funds in a separate bank account.

13 - SUBSIDY FROM THE CANADA MORTGAGE AND HOUSING CORPORATION

The Organization receives a subsidy under a program administered by the Canada Mortgage and Housing Corporation (C.M.H.C.) under the terms of section 95 of the National Housing Act. This subsidy is tied to compliance with the conditions set forth in the agreement signed by the Organization and C.M.H.C.

14 - CONTRIBUTIONS

	<u>2012</u>	<u>2011</u>
	\$	
Government grants		
Federal	8,963,079	10,173,112
Provincial	2,128,597	1,951,955
	<u>11,091,676</u>	<u>12,125,067</u>

Micmacs of Gesgapegiag Band
Notes to Consolidated Financial Statements
 March 31, 2012

15 - ADJUSTMENT TO PRIOR YEARS

After the review of the financial statements for the year ended March 31, 2011 by the Regional Audit Review Committee and the Organization, the following adjustments were required:

	<u>2012</u>	<u>2011</u>
Regional Audit Review Committee	\$	
01845 Human Resources Management Governance Capacity Development	(234)	
02125 Tuition Agreements	(176,869)	36,494
02234 Band Operated School - Special Education		(17,991)
02250 Provincial School - Direct Services		61,619
02280 Indian and Inuit Cultural/Education Centres		117
02305 Basic Needs		(32,794)
02320 Special Needs		(2,227)
02373 Operations - CFS (before 02490)	58,801	
02383 Enhanced Prevention - Foster Homes (before 02492)	(34,427)	
02384 Enhanced Prevention - Group Homes (before 02493)	(28,927)	
02388 CEAP - Operations (before 02497)	48,293	
02395 In-Home Care	(387)	
02396 Institutional - Type I	979	(2,675)
02398 Foster Care	5,547	330
02402 Disabled	(268)	
08110 Community Economic Development Program (before 04935)		(5,729)
08754 Contributions - Equipment QD88 (before 04674)		(3,386)
Health Canada		
10000 NIHB/MT		(7,674)
10010 ADI		(2,934)
10015 HPM		(4,519)
10030 COHIDT		(170)
10050 FNIHCC		(5,594)
First Nations Education Council		
61000 FNEC New Paths (Gathering Strength)		(15,875)
61003 Science and Technology		(2,840)
61005 FNSSP Student success	2,639	3,361
61007 Parental Involvement	183	(3,431)
61008 Professional Development	(212)	(1,165)
61011 FNEC/DSSLP		(1,750)
Organization		
60030 AICFI / AARROM	(4,959)	
90006 Youth Initiative Program	(13,732)	
Discontinued projects	4,234	(57,784)
Canada Mortgage and Housing Corporation		
Micmacs Housing Corporation	(19,498)	(13,264)
	<u>(158,837)</u>	<u>(79,884)</u>

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16 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS

Financial risk management objectives and policies

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

The Organization does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Financial risks

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

Market risk

- Interest rate risk

The term deposits and some long-term debts bear interest at a fixed rate and the Organization is therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

Other long-term debts and the banks loans bear interest at a variable rate and the Organization is therefore, exposed to the cash flow risks resulting from interest rate fluctuations.

The Organization does not use derivative financial instruments to reduce its interest rate risk exposure;

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents. The Organization establishes budget and cash estimates to attain its objectives and fulfil its obligations.

Credit risk

Generally, the carrying amount on the financial position of the Organization's financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

The Organization's credit risk is attributable to cash, term deposits, contributions receivable and other accounts receivable.

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

The credit risk regarding cash and term deposits is considered to be negligible because they are held by reputable bank with an investment grade external credit rating.

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17 - CAPITAL MANAGEMENT

The Organization's capital management objectives are as follows:

- Maintain its ability to continue as a going concern;
- Fulfil its financial obligations.

The Organization defines its capital as follows:

	<u>2012</u>	<u>2011</u>
	\$	
Accumulated surplus (deficit)	(32,410)	421,024
Deferred revenues	484,842	6,340
Deferred contributions related to capital assets	6,326,680	5,747,999
Long-term debt, including current portion	7,158,919	6,798,215
	<u>13,938,031</u>	<u>12,973,578</u>

The Organization manages its capital primarily by searching for government subsidies. Lastly, the Organization ensures it has sufficient long-term financing for its capital investments.

To maintain or adjust its capital structure, the Organization may modify amounts set as forecast expenses to carry out certain activities.

The Organization is subject to externally imposed capital requirements. These requirements are set out in certain agreements with fund contributors and relate to endowments and contributions restricted for specific expenses. The Organization, together with the Board of Directors, continually monitors these requirements on a quarterly basis. During the year, the Organization complied with these requirements.

18 - CONTINGENCY

As at March 31, 2012, the Organization is contingently liable as endorser in long-term debts for members of the community for the amount of \$1,473,069 (\$1,493,085 in 2011).

19 - COMMITMENTS

The Organization has entered into a long-term lease agreement expiring in September 2017 which calls for lease payments of \$51,843 for the rental of equipment. The minimum lease payments for the next years are \$9,426 in 2013, 2014, 2015, 2016 and 2017 and \$4,713 in 2018.

20 - ECONOMIC DEPENDENCE

The Organization receives 37% (41% in 2011) of its revenues from Aboriginal Affairs and Northern Development Canada (AANDC).

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21 - FUNDS ON DEPOSIT WITH AANDC

	<u>2012</u>	<u>2011</u>
	\$	
Capital account		
Balance, beginning and end of year	<u>647</u>	<u>647</u>
Revenue account		
Balance, beginning of year	35,794	34,439
Interest earned	1,260	1,358
Balance, end of year	<u>37,054</u>	<u>35,797</u>

22 - AANDC FUNDING RECONCILIATION

	<u>2012</u>	<u>2011</u>
	\$	
AANDC as per financial statements	6,257,428	7,012,461
Plus: Contributions received for previous years after review		
04674 Contributions - Equipment (before 04249)		99,450
Plus: Deferred contributions related to capital assets		
08582 Wastewater (under \$1.5M) QL57	1,000,000	
08682 Major Renovations , Extensions and Repairs QD88 Seq. 1 (before 04392)	167,000	
08748 Roads and Bridges QD88	100,000	
	<u>1,267,000</u>	<u>99,450</u>
Minus: Contributions receivable (payable)		
02125 Tuition Agreements	(50,678)	176,869
02250 Provincial School - Direct Services	(7,920)	
02305 Basic Needs	57,759	48,778
02308 Social Assistance for Employment and Training	(18,156)	7,652
02320 Special Needs	(3,355)	(5,093)
02402 Disabled	(492)	
	<u>(22,842)</u>	<u>228,206</u>
AANDC revenue as per funding confirmation	<u>7,547,270</u>	<u>6,883,705</u>

23 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.